

AR37



POWER CORPORATION
OF CANADA

ANNUAL REPORT 1994

Financial Highlights For the year ended December 31

	Millions (except per share information)	
	1994	1993
Total revenue	\$ 6,904	\$ 6,082
Net earnings	186	150
Earnings per participating share	\$ 1.46	\$ 1.17
Dividends per participating share	0.70	0.70
Total assets	\$ 31,526	\$ 29,593
Assets under administration	29,541	25,720
Total assets and assets under administration	\$ 61,067	\$ 55,313
Shareholders' equity	\$ 2,495	\$ 2,296
Book value per participating share	19.23	17.63
Participating shares outstanding	125.3	125.0

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POWER CORPORATION DU CANADA
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The past year was one of continued growth in earnings for Power Corporation of Canada.

The Corporation's share of earnings of its subsidiaries and affiliate increased to \$188.8 million in 1994, from \$141.5 million in 1993 due primarily to improved operating earnings at Power Financial Corporation.

Power Corporation's other operating items, which include income from investments, brought its total operating earnings to \$183.1 million or \$1.43 per participating share as against \$149.0 million or \$1.16 per share in 1993.

Other income of a non-recurring nature, net of minority interest, was \$3.3 million in 1994 as against \$1.2 million in 1993. This income consists primarily of gains on the sale of long-term holdings in the Pargesa group.

The improved operating earnings of the Corporation's principal subsidiaries and affiliate brought Power Corporation's consolidated net earnings to \$186.4 million or \$1.46 per share for the year compared with \$150.2 million or \$1.17 per share in 1993.

DIVIDENDS.

Dividends paid on the participating preferred and subordinate voting shares amounted to 70 cents per share in 1994, equivalent to 17.5 cents per share on a quarterly basis.

During 1994, common share dividend payments were increased at Power Financial and its subsidiaries, Great-West Lifeco Inc. and Investors Group Inc., and its European affiliate, Pargesa Holding S.A., as well as at Gesca Ltée and Power Broadcasting Inc.

SUBSIDIARIES' AND AFFILIATE'S RESULTS

Power Financial Corporation's earnings from operations increased to \$268.2 million or \$2.95 per share in 1994 as against \$198.7 million or \$2.22 per share in the previous year, due to continuing strong improvements in the earnings of Great-West Lifeco and Investors Group. After accounting for other income of a non-recurring nature, Power Financial's consolidated net earnings were \$273.1 million or \$3.01 per share for the year compared with \$200.5 million or \$2.24 per share in 1993.

Great-West Lifeco experienced a further substantial increase in its business and earnings in 1994, achieving net income of \$209.8 million for the year as against \$173.3 million in 1993. The consolidation of the life insurance industry proceeded at a rapid rate in 1994 and its subsidiary, The Great-West Life Assurance Company, was able to participate in this process through the purchase by its subsidiary, Great-West Life & Annuity Insurance Company, of a large block of group business in the United States during the year.

Great-West Life continues to maintain the highest credit ratings available from Dominion Bond Rating Service, Standard & Poor's Corporation and Duff & Phelps Corporation for its claims-paying ability, and from A.M. Best Company for its financial strength and operating performance. Great-West Life also holds an "Aa2" rating from Moody's Investors Service for its insurance and financial strength. From this solid foundation, Great-West Life believes it is well positioned to achieve ongoing profitable growth in the face of heightened industry competition and consolidation.

Setting new sales and earnings records for the fifth consecutive year, Investors Group reported net income of \$84.6 million as against \$70.3 million in 1993. Mutual fund sales increased 7.6 percent to \$4.2 billion for 1994. Investors Group continues to be Canada's largest distributor of mutual funds and provider of financial planning services. Its ongoing success is derived, in large measure, from its Canada-wide sales force. Building on this core strength, the company increased the number of its sales representatives from 3,019 at the end of 1993, to 3,395 at year-end 1994. In the face of increased competition, Investors Group's emphasis on providing competent, long-term financial advice is intended to ensure that the company continues to occupy a leading market position in the growing Canadian mutual fund industry.

Pargesa Holding S.A., the European affiliate of Power Financial Corporation, reported earnings that increased marginally over those of 1993. While continuing difficult economic conditions in Europe affected earnings in many business sectors, the earnings of all principal affiliates increased in 1994 compared with 1993. Power Financial's share of Pargesa's net earnings was \$45.4 million for the year as against \$40.8 million in 1993. These earnings include Power Financial's share of net gains on the sale of investments amounting to \$4.9 million in 1994 and \$1.8 million in 1993.

With its substantial group holding of cash and equivalents as of year-end 1994 Pargesa is capable of making additional long-term investments as opportunities arise.

Power Corporation's affiliate, Southam Inc., reported favourable financial progress for 1994. Net income of \$44.0 million in 1994 was more than double the \$21.6 million attained in 1993. The Corporation's share of Southam's 1994 earnings was \$8.4 million, as against \$5.5 million for the nine-month period from April 1 to December 31, 1993. The majority of the earnings improvement was generated by Southam's newspaper operations, primarily as a result of reductions in operating costs. As part of Southam's strategic plan to focus more sharply on its core business of newspaper publishing, a letter of intent was signed in late 1994 to sell the company's chain of Coles Book Stores. The completion of this sale is expected to occur in April 1995.

Early in 1995, a positive trend in demand for advertising linage appears to be partially offset by recent increases in newsprint prices. Southam has indicated that it intends to continue its efforts to control costs.

The combined earnings of Gesca and Power Broadcasting showed an increase in 1994 as advertising revenue increased and cost containment continued.

The business and the financial results of the Corporation's subsidiaries and affiliate, as well as the structure of the Power group, are discussed in detail in the section of the annual report entitled "Management's Discussion of Operating Results" beginning on page 6.

CORPORATE DEVELOPMENTS

Developments in Asia

Power Corporation continued to develop opportunities in Asia during 1994, working with partners who are technological leaders in their respective fields. Early in the year, Power's subsidiary, Power Pacific Corporation Limited, opened offices in Hong Kong. From this base, Power Pacific is positioned to oversee Power's commitments in Asia as well as to maintain contact with its local partners and holdings in the region.

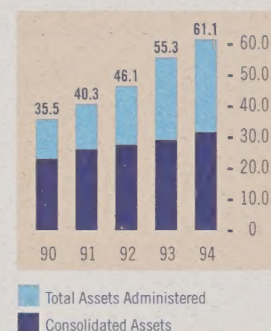
Agreement with Barrick Gold Corporation

In February 1994, Power Corporation and Barrick Gold Corporation (formerly American Barrick Resources Corporation) formed a company in Hong Kong, with a representative office in Beijing, to pursue the development of gold properties in the People's Republic of China. Power Corporation holds a 25 percent interest in this company through its subsidiary, Power Pacific Corporation, with Barrick Gold holding the remainder.

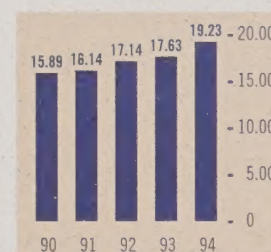
Agreement with Bombardier and LORIC

In November 1994, Power Corporation and Bombardier Inc., and China National Railway Locomotive and Rolling Stock Industry Corporation (LORIC) of Beijing, announced that they had agreed to work together with the intention of creating a company for the manufacture of passenger rail cars in China.

TOTAL ASSETS
(in billions of dollars)



BOOK VALUE PER SHARE
(in dollars)



The resulting entity will use Bombardier technology to manufacture passenger coaches with the possibility of expanding in the future in order to manufacture subway cars, light rail vehicles, commuter cars and high speed intercity cars for both Chinese and export markets.

The parties have selected LORIC's Sifang passenger coach factory at Jihongtan located near the city of Qingdao in Shandong Province as the site for the project under development.

New Strategic Partners in Asia

In late November 1994, Power Corporation (Asia) Limited (PCAL), a newly-formed subsidiary, together with AIG Asian Infrastructure Fund L.P. (AAIF), a highly respected international investment fund, and Pacific Infrastructure Development Pte Ltd. (Pacidev), a company owned by the Government of Singapore Investment Corporation, signed an agreement to coinvest in Power Asia Capital Limited (PACL) to undertake infrastructure investments in Asia. Under this agreement, PACL will have a capitalization of US \$150 million. Voting interests will be proportional to capital contributions, with Power holding a controlling interest and the balance held equally by AAIF and Pacidev.

PCAL contributed to PACL its 33⅓ percent interest in Asia Power Group Limited as well as its 100 percent interest in Power Pacific Corporation Limited. Power Pacific holds an interest with China International Trust and Investment Corporation of Beijing for the development of industrial real estate in the Zhanjiang High-Tech Park in the special economic zone of Pudong, which is adjacent to Shanghai, China. Power Pacific also holds the Corporation's interest in the development of gold mining operations in China with Barrick Gold Corporation, as well as Power's interest in an enterprise to produce rolling stock at Jihongtan, described earlier in this report.

Communications Sector Projects in North America

In September 1994, Power Broadcasting and the Canadian Broadcasting Corporation successfully launched, through a joint venture, two new television programming services. The first service, entitled TRIO, is a family entertainment channel. The other, Newsworld International, is a 24-hour headline news service covering broad global issues. These two program services are currently distributed in the United States via the DIRECTV™ direct-to-home satellite service and in the future will be marketed to cable systems and telephone companies.

Early in 1995, POWER DIRECTV, a Canadian venture controlled by Power Broadcasting, made submissions in response to the Canadian government's request for comment on direct-to-home (DTH) television policy. The partner of Power Broadcasting in this joint venture is Hughes Aircraft Canada Ltd., an indirect subsidiary of General Motors Corporation. Conditional on regulatory approval, POWER DIRECTV proposes to offer a new compliant DTH television service to Canadians. The service would be available on a small satellite dish throughout Canada, offering its subscribers Canadian television networks in both English and French and Canadian specialty channels as well as authorized foreign services. The service would use state-of-the-art digital, audio and video technology. In addition, the service would provide 50 to 80 channels of pay per view, movies, sports, educational programming and special events.

Board of Directors

At the Corporation's Annual Meeting of Shareholders in May 1994, Mr. Jean Peyrelevade was elected to the Board of Directors. Prior to his current position as Chairman of Crédit Lyonnais, a leading international bank based in Paris, Mr. Peyrelevade was Chairman of Compagnie UAP, a leading European insurance group.

Late in 1994, Mr. Arden R. Haynes left the Board, having served as a Director since 1984. A former Chairman and Chief Executive Officer of Imperial Oil Ltd., Mr. Haynes was a valued member of the Board

and his contribution over the past ten years is deeply appreciated by his fellow directors and by the shareholders.

Mr. Robert H. Jones will not be standing for re-election at the Annual Meeting of Shareholders in May 1995 as he has reached the mandatory age of retirement. Among his many achievements, Mr. Jones played an important role in the development of Investors Group where he began in 1948 as a securities analyst. He served as Investors' President and Chief Executive Officer for 10 years, and more recently as its Chairman. Mr. Jones has been a director of Power Corporation since 1976. His fellow directors and the shareholders have derived great benefit from his contribution and wish him well.

International Advisory Council

Comprised of distinguished business and political leaders from eleven countries and five continents, the International Advisory Council provides your Corporation's management with an international perspective on political and economic developments taking place around the world. At the Council's meeting held in Montréal on November 14 and 15, 1994, discussions were focused primarily on economic and political affairs in Europe and North America, as well as on opportunities in Asia.

Early in 1994, Mr. Moeen A. Qureshi joined the Council. Mr. Qureshi is a former Prime Minister of Pakistan and is now the Chairman of Emerging Markets Corporation, a private investment management company based in Washington, specializing in emerging markets.

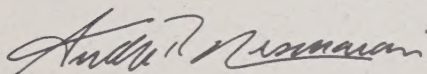
THE FUTURE

Power Corporation's financial performance reflects its strategy of taking substantial interests in leading companies with long-term growth potential. Combined with a conservative financial structure, this strategy has tended to produce stable earnings during times of adversity, and growing profitability during better economic times.

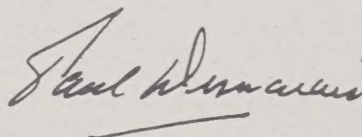
The recent strong performance of the North American economies appears to be continuing early in 1995. The European economy is also showing signs of improvement. Over the longer term, the Corporation's continuing investments in Asia should facilitate its participation in the economic activity in that region.

The Directors recognize that the past year's progress would not have been possible without the contribution of the officers and employees who work in the Power group of companies. We commend them for the progress achieved in 1994 and express our gratitude for their continued commitment toward achieving our common goals.

On behalf of the Board,



André Desmarais
President and Chief Operating Officer

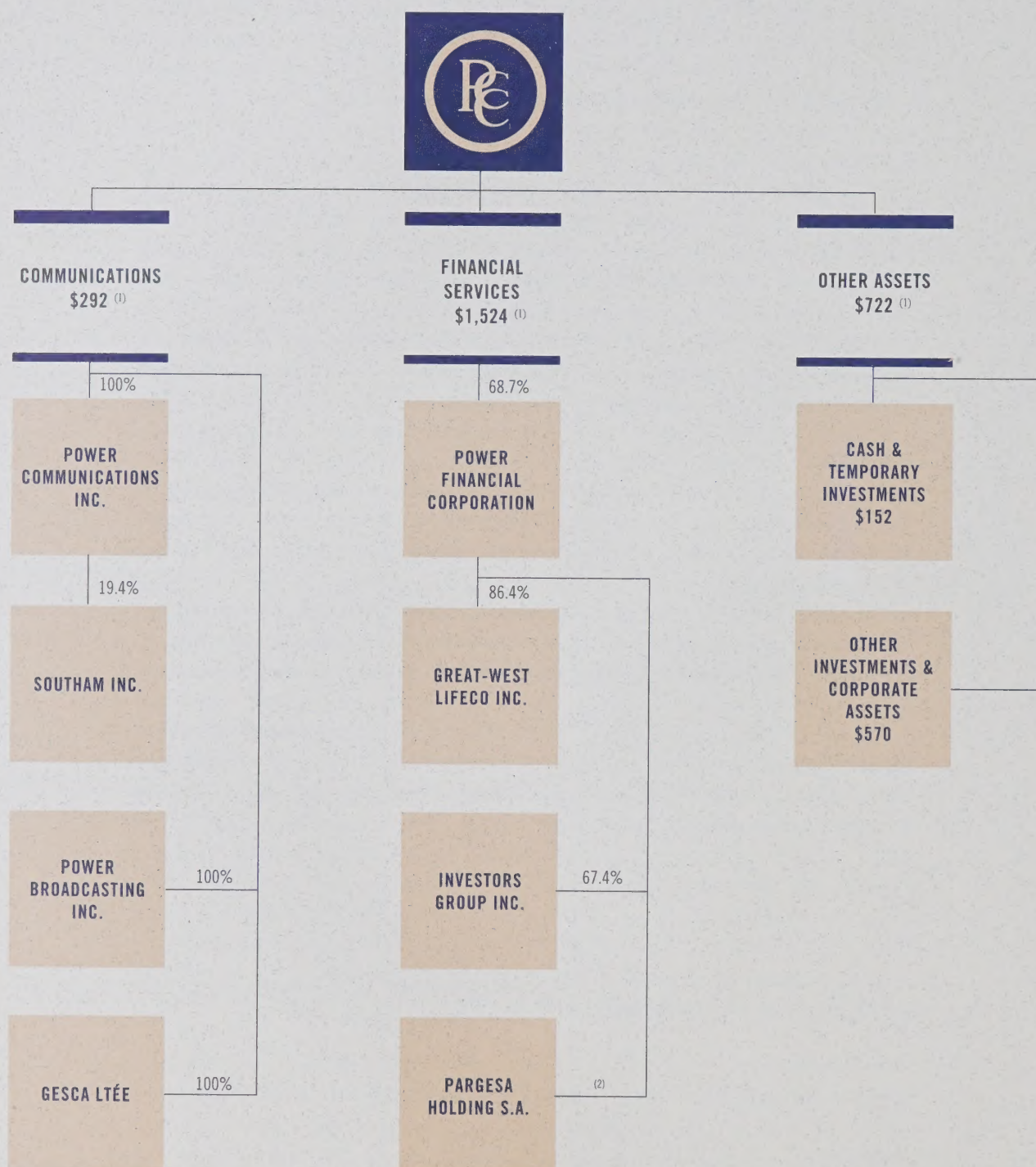


Paul Desmarais, P.C., C.C.
Chairman and Chief Executive Officer

April 4, 1995

Power Corporation of Canada holds interests in the financial services and communications sectors. Power Corporation's direct

and indirect ownership interests in its operating subsidiaries and affiliate and its other assets are shown on the following chart:



Principal holdings as at December 31, 1994

¹ Carrying values in millions

² Through its wholly-owned subsidiary Power Financial Europe B.V., Power Financial Corporation holds a 50 percent interest in Parjointco N.V. Parjointco holds a voting interest of 62.5 percent (1993 – 63.8 percent) and an equity interest of 55.5 percent (1993 – 57.9 percent) in Pargesa Holding S.A.

Through its ownership of 68.7 percent of the voting shares of Power Financial Corporation at December 31, 1994, Power owned a controlling interest in Great-West Lifeco Inc. and Investors Group Inc. These companies and their subsidiaries offer an extensive range of financial products and services. Power Financial has a significant equity and voting interest in the Pargesa group whose companies are active in the financial services, industrial, energy, communications and food sectors, primarily in Europe.

The Corporation also holds interests in communications companies. At December 31, 1994, Power Communications Inc. held a 19.4 percent interest in Southam Inc., Canada's largest daily newspaper publisher. Gesca Ltée and its subsidiaries are engaged in the publication of daily and weekly newspapers, printing and publishing in Québec. Power Broadcasting Inc. has interests in television and radio stations in Ontario and Québec.

Management's discussion and analysis of the Corporation's 1994 financial results focuses on the operations of Power Corporation and each of the principal entities within the group. While Consolidated Financial Statements are presented separately herein, management has also prepared Condensed Supplementary Financial Statements of Power Corporation with its principal subsidiaries accounted for on the equity basis to facilitate the discussion and analysis of each of its activities. A discussion of the financial results, assets, liquidity and financial resources and the outlook for each of the principal subsidiaries and affiliates has also been provided to give readers a greater understanding of Power Corporation's underlying assets, earnings base and financial resources.

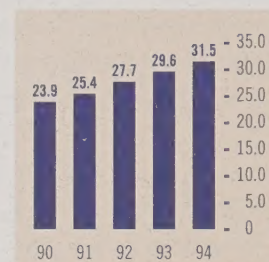
Power Financial, Great-West Lifeco, Investors Group and Southam publish a more detailed discussion and analysis of their results of operations and financial condition in their annual reports. Pargesa Holding S.A. publishes its annual report in May of each year in accordance with European financial reporting practices. Copies of the annual reports of each of these publicly-traded affiliates of Power Corporation are available from the affiliate itself or from the Secretary of Power Corporation of Canada.

In 1994, net earnings of Power Corporation were \$186.4 million as against \$150.2 million in 1993. Earnings per share amounted to \$1.46 as against \$1.17 per share in 1993. There was a significant improvement in the net earnings of the Corporation primarily due to improved operating earnings at Power Financial Corporation. Also, Power's affiliates engaged in the communications sector reported increased net earnings in 1994 as against 1993.

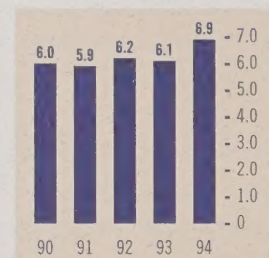
Revenues on a full consolidation basis for the year ended December 31, 1994 were \$6,904 million compared with \$6,082 million in 1993, due principally to a \$797 million increase in premium income during the year. Consolidated expenses of \$6,427 million for 1994 were higher than in 1993 at \$5,681 million, principally due to an increase in insurance claims, benefits and changes in actuarial reserves.

Total consolidated assets were \$31,526 million at year-end 1994 as against \$29,593 million in 1993. The principal factor accounting for the increase in total assets was an increase of \$1,859 million in the corporate assets of Great-West Lifeco. Assets under administration increased from \$25,720 million in 1993 to \$29,541 million at year-end 1994, reflecting an increase in Great-West Lifeco's segregated fund assets and Investors' mutual and pension funds under administration.

CONSOLIDATED ASSETS
(in billions of dollars)



CONSOLIDATED REVENUES
(in billions of dollars)



(In this section of the analysis, the principal subsidiaries and affiliate are accounted for on the equity basis.)

Readers are referred to the Condensed Supplementary Financial Statements of Power Corporation on page 10 of the Annual Report. These supplementary financial statements identify the sources of earnings and of the assets and capital resources of the Corporation.

Share of Earnings of Subsidiaries and Affiliate

The Corporation's 1994 share of earnings of its subsidiaries and affiliate reflects an increase from \$141.5 million in 1993 to \$188.8 million in 1994, as shown in the table below.

The results are discussed in greater detail in the Power Financial Corporation, Southam Inc., Gesca Ltée and Power Broadcasting Inc. sections of Management's Discussion of Operating Results.

Corporate Activities

Corporate activities resulted in a charge of \$5.7 million in 1994 compared with a credit of \$7.5 million in 1993. The activities consist of income from investments, net of provisions for losses, less operating and interest expenses, depreciation and amortization, and income taxes. Income from investments decreased during the year compared with 1993 and consists of interest and dividends received on the Corporation's cash and temporary investments and foreign exchange fluctuations. The decline in income from investments is due to lower interest income and a provision for loss on investments.

During 1994, the Corporation used various financial instruments to control or hedge foreign currency fluctuations on its holdings of foreign currency denominated temporary investments. The principal objective in the use of these instruments is to maintain an appropriate level of asset management and the use of these securi-

ties is strictly monitored on an ongoing basis by senior management. The average yield on the financial instruments denominated in Canadian and United States dollars varies with the level of interest rates and these variations will continue to affect the Corporation's income from investments in 1995.

Other Income

The principal source of the item entitled "Other income" is the Corporation's share of gains on the sale of long-term investments by Pargesa.

Assets

Cash and temporary investments, comprised of high-quality financial instruments denominated principally in United States funds, amounted to \$152.3 million at the end of 1994 compared with \$226.8 million in 1993. The decrease in cash and temporary investments is principally attributable to the use of cash for investment activities.

Investment in subsidiaries and affiliate accounted for under the equity method aggregated \$1.8 billion at the end of 1994 compared with \$1.6 billion in 1993 and consists of the carrying values of the Corporation's interests in Power Financial Corporation, Gesca, Power Broadcasting and Southam.

Other investments increased to \$431.0 million from \$372.1 million at year-end 1993. Other investments consist of \$306.7 million of quoted marketable securities and \$124.3 million of unquoted securities.

During 1994, Power Corporation reported that it had made several commitments in Asia. Readers are referred to the Directors' Report to Shareholders for details of these activities.

Share of Earnings of Subsidiaries and Affiliate

For the year ended December 31

	1994	1993	Change
		<i>Millions</i>	
Subsidiaries:			
Power Financial Corporation	\$ 174.4	\$ 131.6	\$ 42.8
Gesca Ltée and			
Power Broadcasting Inc.	6.0	4.4	1.6
Affiliate:			
Southam Inc.	8.4	5.5	2.9
	\$ 188.8	\$ 141.5	\$ 47.3

Liquidity and capital resources

Shareholders' equity of the Corporation was \$2,496 million as against \$2,296 million at the end of 1993. The book value per Participating Preferred Share and per Subordinate Voting Share increased to \$19.23 at the end of 1994 compared with \$17.63 at the end of 1993. Throughout the year, the Corporation had no long-term debt outstanding. The Corporation is predominantly capitalized by participating shares and is almost entirely free of any fixed demands on its cash flow.

Despite challenging economic conditions, the Corporation's subsidiaries and affiliate continue to record positive levels of operating earnings. During the year, Power Financial increased its dividend payments to common shareholders and a special dividend was paid by Gesca and Power Broadcasting. Subsidiary and affiliate dividend payout ratios are closely monitored. Power Corporation's management strives to ensure that its subsidiaries and affiliate are adequately capitalized and that judicious amounts of financial leverage are used to facilitate growth.

The Corporation maintained its quarterly dividend at 17.5 cents per share per quarter (70 cents per share on an annualized basis) on the Participating Preferred and Subordinate Voting Shares in 1994. Regular dividends were declared and paid on the 1965 Series First Preferred Shares, and the First Preferred Shares 1986 Series. Cash requirements for the payment of dividends are met by dividend income from subsidiaries and the affiliate, other investment income, and from the Corporation's cash reserves.

The Corporation's credit standing in the financial markets was reaffirmed by independent reviews by two Canadian rating agencies. During 1994, the Canadian Bond Rating Service reaffirmed its P-1 and the Dominion Bond Rating Service reaffirmed its Pfd-2 rating on the Corporation's preferred shares.

The Corporation also maintains operating lines of credit with two Canadian chartered banks. These lines of credit were unused at year-end.

The sinking fund requirements on the First Preferred Shares 1965 Series were met in accordance with the terms of the issue. The Corporation, through this sinking fund, is committed to retire the remaining 15,502 First Preferred Shares 1965 Series on or before May 1, 1995. The Corporation also purchased 80,000 Cumulative Redeemable First Preferred Shares 1986 Series in accordance with its obligation to repurchase such shares on an annual basis. The Corporation issued 276,820 Subordinate Voting Shares pursuant to the terms of the Executive Stock Option Plan for aggregate consideration of \$3.3 million.

The balance of foreign currency translation adjustments recorded directly to shareholders' equity has increased from \$86.9 million at year-end 1993 to \$193.5 million at the 1994 year-end. This account reflects the net change in foreign currency denominated net assets of affiliates on their translation into Canadian dollars. Power Corporation of Canada has an exposure to the United States dollar through Power Financial Corporation's indirect investment in Great-West Life's United States operations and to the Swiss franc through Power Financial's net investment in Pargesa. The increase in this account is due to the depreciation in 1994 of the Canadian dollar against both the United States dollar and the Swiss franc.

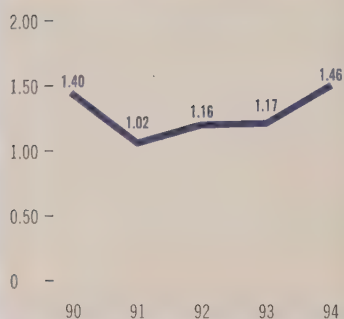
Power Corporation, Power Financial and its subsidiaries and affiliated companies have substantial financial resources. The cash balances, together with credit facilities, enable the Corporation and the Power group of companies to enhance their positions in their respective industries and to be in a position to take advantage of selected opportunities on a timely basis.

(In this section of the analysis, the principal subsidiaries and affiliate are accounted for on the equity basis.)

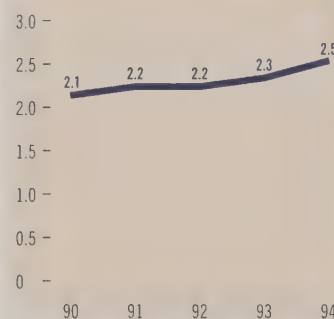
Condensed Supplementary Financial Statements December 31

	Millions	
	1994	1993
Condensed Statement of Earnings		
Share of earnings of subsidiaries and affiliate	\$ 188.8	\$ 141.5
Corporate activities	(5.7)	7.5
Earnings before other income	183.1	149.0
Other income, net	3.3	1.2
Net earnings	\$ 186.4	\$ 150.2
Earnings per participating share	\$ 1.46	\$ 1.17
Condensed Balance Sheet		
Cash and temporary investments	\$ 152.3	\$ 226.8
Investments		
Subsidiaries and affiliate at equity	1,815.5	1,614.2
Other	431.0	372.1
	2,246.5	1,986.3
Other assets	139.6	119.2
Total assets	\$ 2,538.4	\$ 2,332.3
Accrued liabilities and other	\$ 42.9	\$ 36.7
Shareholders' equity		
Non-participating shares	85.8	91.1
Participating shareholders' equity	2,409.7	2,204.5
	2,495.5	2,295.6
Total liabilities and shareholders' equity	\$ 2,538.4	\$ 2,332.3

Power Corporation of Canada
EARNINGS PER SHARE
(in dollars)



Power Corporation of Canada
SHAREHOLDERS' EQUITY
(in billions of dollars)



(In this section of the analysis, the principal subsidiaries and affiliate are accounted for on the equity basis.)

Readers are referred to the Condensed Supplementary Financial Statements of Power Financial Corporation shown on page 12 of the Annual Report.

Power Corporation of Canada held at December 31, 1994, a 68.7 percent voting interest (1993 – 68.8 percent) in Power Financial Corporation. The carrying value of Power Financial on the books of Power Corporation was \$1,523.6 million as at December 31, 1994 compared with \$1,304.3 million as at that date in 1993, representing an increase of \$219.3 million. This increase is attributable to the recording of Power Corporation's 1994 share of earnings of Power Financial, net of common share dividends received, foreign currency translation adjustments and other items.

Power Financial Corporation holds substantial interests in the financial services industry in Canada and the United States of America. Power Financial's European affiliate has interests in leading companies in the financial services, communications, industrial, energy and food sectors.

Power Financial reported an increase in net earnings in 1994 as against 1993 to \$273.1 million from \$200.5 million. Great-West Lifeco and Investors Group reported significant increases in their net earnings for the year ended December 31, 1994 compared with 1993. Pargesa's earnings showed a slight increase for the year.

The contribution from corporate activities increased from a charge of \$19.1 million to a credit of \$8.8 million. The activities consist of income from investments, less operating and interest expenses, depreciation and income taxes. During 1994, Power Financial began recognizing the benefit of tax losses in its financial statements.

Assets, liquidity and capital resources

Power Financial held cash and temporary investments of \$266.2 million at December 31, 1994 compared with \$271.1 million at year-end 1993.

Other investments include 8.7 million common shares of BCE Inc. with a carrying value of \$328.2 million held for future conversion by holders of the exchangeable debentures issued in 1989. The exchangeable debentures have a carrying value of \$334.8 million.

Independent Ratings of Power Financial

As at December 31, 1994

Rating Agency

Dominion Bond Rating Service	Canadian Bond Rating Service
---------------------------------	---------------------------------

Senior Debentures	AA (Low)	A+
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Cumulative	
Pfd-1	P-1
Non-Cumulative	
Pfd-1 (Low)	P-2

Power Financial increased the cash dividends declared on its common shares from 79 cents in 1993 to \$1.06 in 1994. At year-end 1994, the quarterly dividend was 29 cents (\$1.16 on an annualized basis) as against 24 cents in 1993, an increase of 20.8 percent.

Cash requirements for the payment of common and preferred share dividends are met by dividend income from subsidiaries and affiliate, income from other investments and from the corporation's cash reserves.

Power Financial's financial position remains strong, based upon its financial resources and the financial resources of its subsidiaries and affiliate.

Summarized Financial Information

December 31

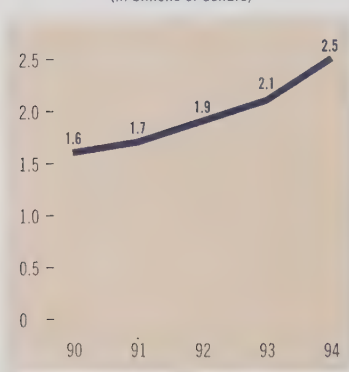
	1994	1993
	<i>Millions, except per share amounts</i>	
Power Corporation		
Share of net earnings of Power Financial	\$ 178	\$ 133
Power Financial Corporation		
Shareholders' equity	2,452	2,130
Net income	273	201
Earnings per common share	3.01	2.24
Dividends per common share	1.06	0.79
Book value per common share	25.48	21.91

(In this section of the analysis, the principal subsidiaries and affiliate are accounted for on the equity basis.)

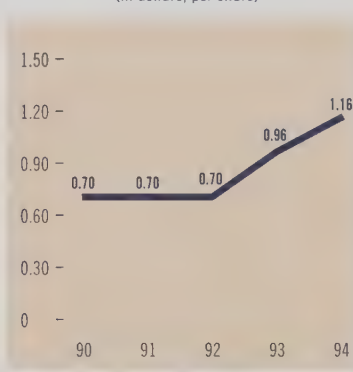
Condensed Supplementary Financial Statements December 31

	Millions	
	1994	1993
Condensed Statement of Earnings		
Share of earnings of subsidiaries and affiliate	\$ 259.4	\$ 217.8
Corporate activities	8.8	(19.1)
Earnings before other income	268.2	198.7
Other income, net	4.9	1.8
Net earnings	\$ 273.1	\$ 200.5
Earnings per share	\$ 3.01	\$ 2.24
Condensed Balance Sheet		
Cash and temporary investments	\$ 266.2	\$ 271.1
Investments		
Subsidiaries and affiliate at equity	2,409.0	2,080.5
Other	344.1	329.9
	2,753.1	2,410.4
Other assets	23.2	23.4
Total assets	\$ 3,042.5	\$ 2,704.9
Accrued liabilities and other	\$ 51.0	\$ 44.1
Exchangeable debentures	334.8	334.8
Other long-term debt	128.6	107.0
Deferred income taxes	75.9	89.5
Shareholders' equity		
Preferred shares	282.2	282.2
Common shareholders' equity	2,170.0	1,847.3
	2,452.2	2,129.5
Total liabilities and shareholders' equity	\$ 3,042.5	\$ 2,704.9

Power Financial Corporation
SHAREHOLDERS' EQUITY
(in billions of dollars)



Power Financial Corporation
ANNUALIZED DIVIDEND AT YEAR-END
(in dollars, per share)



Readers are referred to the Condensed Supplementary Financial Statements of Great-West Lifeco Inc. on page 15 of the Annual Report.

Power Financial holds an 86.4 percent interest in Great-West Lifeco, which holds a 99.5 percent interest in The Great-West Life Assurance Company.

Great-West Life is a financial institution offering a wide range of insurance, retirement and investment products and services for individuals, businesses and organizations in Canada and the United States.

Great-West Lifeco reported net income of \$209.8 million or \$2.38 per common share in 1994 compared with \$173.3 million or \$1.93 per share in 1993. Net income attributable to common shareholders was \$187.4 million compared with \$152.1 million in 1993.

Net income from Canadian operations increased by 14.2 percent in 1994 due to a combination of ongoing productivity improvements in all lines of business of the company and favourable individual mortality and group morbidity, offset by some deterioration in group mortality. Net income from United States operations increased 26.2 percent compared with 1993. Earnings from Employee Benefits operations were favourably impacted by mortality gains in group life and productivity improvements in 401(k) products; however, these gains were somewhat mitigated by increased expense levels in group health as the book of business migrated to managed care. Earnings from Financial Services operations improved significantly as the result of a reduction of asset write-downs, increased interest margins, and effective expense management. Insurance company failures in Canada and the United States are reflected in industry association guarantee assessments, and these increased to \$23.1 million in 1994 compared with \$14.7 million in 1993.

Great-West Life's ongoing investment policy is to concentrate the placement of new investment funds in investment grade bonds. To minimize exposure to any particular credit, sector or location, the company maintains strict diversification standards established for industry, size and geography. Additionally, the company follows strict asset and liability matching guidelines to ensure that acquired investments appropriately meet the cash flow and income requirements for liabilities.

Great-West Life does not participate in the derivative markets as a speculator, trader or market maker. To control or hedge its exposure to fluctuations in interest rates, currency translation rates or market risk, the company may use certain derivatives as a component of its overall risk management program. The principal objective in the use of these derivatives is to maintain an appropriate level of asset/liability management and the use of these derivatives is strictly monitored on an ongoing basis by senior management.

At the end of 1994, the aggregate of bonds in default, mortgages in the process of foreclosure or in arrears 90 days or more and real estate acquired by foreclosure totalled \$175.6 million or 0.7 percent of total invested assets compared with \$162.4 million and 0.7 percent a year earlier.

During 1994, the company's quarterly dividend was increased from 18 cents per share to 22 cents per share – a 22 percent increase.

On February 2, 1995, the company issued four million 7.75% Non-Cumulative First Preferred Shares, Series C, at \$25.00 per share for net proceeds of \$97.0 million which were immediately invested in Great-West Life.

Summarized Financial Information

December 31

	1994	1993
	<i>Millions, except per share amounts</i>	
Power Corporation		
Effective share of net earnings of Great-West Lifeco	\$ 105	\$ 87
Great-West Lifeco Inc.		
Assets under administration ⁽¹⁾	34,297	30,432
Life insurance in force (face amount)	247,815	206,949
Common shareholders' equity	1,309	1,134
Net income	210	173
Earnings per common share	2.38	1.93
Dividends per common share	0.80	0.58
Book value per common share	16.61	14.38

(1) Includes segregated funds of \$7,125 million (\$5,119 million in 1993)

In the 1993 Annual Report, Great-West Life identified three key trends for the industry – continuing pressure on expenses resulting from heightened competition, consolidation within the Canadian insurance industry, and closer attention to the financial strength of insurance companies. These trends dominated industry developments in 1994, and will continue to evolve in the coming years.

Pressure on expense margins will continue to increase as competition, particularly from the Canadian chartered banks heightens. Canadian chartered banks made several significant moves into the life insurance arena in 1994. However, Great-West Life continues to believe that it has a significant competitive edge in the marketing and administration of sophisticated group insurance products and services, and in the personalized advice and service offered individual consumers.

Healthcare reform dominated the health insurance industry in the United States in 1994 as legislators, insurers and employers continued to address the issues of access to medical care and cost

control. While the company was reassured by the apparent move away from a government solution to these problems, the challenge remains for the private sector to find a means of providing access to medical care for all, while keeping costs under control. The company continues to believe that an employer-based private sector health insurance system – with its cost control and attendant economies of scale in distributing and administering health insurance – is the best means of achieving this. Although health care dominates the national focus, retirement income security is an emerging issue that rivals health care in importance. The company saw major gains in its core pension businesses in 1994, as well as in the number of Americans who entrusted it with their retirement funds. It believes that its distribution capability, coupled with its administration systems and leading edge products, positions it as a leader in the tax qualified retirement savings sector.

Great-West Life remains optimistic and sees opportunities for managed growth through acquisitions, joint ventures and new competitive alliances.

Independent Ratings of Great-West Life

As at December 31, 1994

Rating Agency	Measurement	Rating
A.M. Best Company	Financial Strength and Operating Performance	A++*
Dominion Bond Rating Service	Claims Paying Rating	IC-1*
Duff & Phelps Corporation	Claims Paying Ability	AAA*
Moody's Investors Service	Insurance and Financial Strength	Aa2
Standard & Poor's Corporation	Claims Paying Ability	AAA*

*Highest rating available

Great-West Lifeco Inc.

Summary of Invested Assets at Carrying Value

As at December 31

	Canada	1994 USA	Total	1993 Total	Change
			<i>Billions</i>		
Bonds	\$ 4.5	\$ 12.0	\$ 16.5	\$ 15.3	\$ 1.2
Mortgages	2.1	3.0	5.1	5.6	(0.5)
Real estate					
and shares (a)	1.0	0.2	1.2	1.2	
Cash (a)		0.3	0.3	0.2	0.1
Policyholder loans (a)	0.2	2.9	3.1	2.2	0.9
	\$ 7.8	\$ 18.4	\$ 26.2	\$ 24.5	\$ 1.7
Segmented percentage of total	30%	70%	100%		

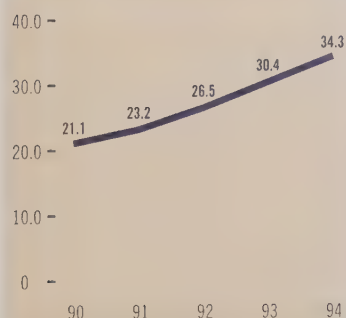
(a) Included in Other assets on the condensed financial statements

Condensed Supplementary Financial Statements December 31

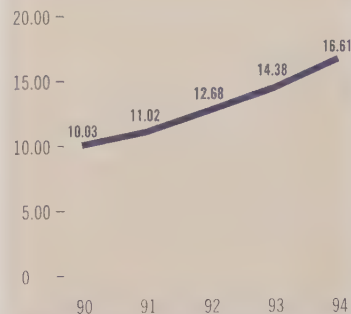
	Millions	
	1994	1993
Condensed Statement of Earnings		
Premium income	\$ 4,207.0	\$ 3,410.4
Investment income	1,861.3	1,865.8
	6,068.3	5,276.2
Paid or credited to policyholders and beneficiaries	4,787.4	4,155.5
Commissions and operating expenses	910.5	811.4
	5,697.9	4,966.9
Income before income taxes and minority interests	370.4	309.3
Income taxes	129.9	113.9
Minority and other interests	30.7	22.1
Net income	\$ 209.8	\$ 173.3
Earnings per share	\$ 2.38	\$ 1.93
Condensed Balance Sheet		
Bonds	\$ 16,537.4	\$ 15,319.3
Mortgage loans	5,134.2	5,571.0
Other assets	5,500.6	4,422.8
Total assets	\$ 27,172.2	\$ 25,313.1
Policy reserves	\$ 20,165.3	\$ 18,879.4
Other policy benefit liabilities	1,721.0	1,516.0
Other liabilities	2,930.5	2,771.0
Minority and other interests	1,046.1	1,012.7
Common shareholders' equity	1,309.3	1,134.0
Total liabilities and shareholders' equity	\$ 27,172.2	\$ 25,313.1

Note: Segregated funds are excluded from the condensed supplementary financial statements.

Great-West Lifeco Inc.
ASSETS UNDER ADMINISTRATION
 (in billions of dollars)



Great-West Lifeco Inc.
BOOK VALUE PER SHARE
 (in dollars)



Readers are referred to the Condensed Supplementary Financial Statements of Investors Group on page 17 of the Annual Report.

Power Financial holds a 67.4 percent interest in Investors Group Inc. Investors Group provides personalized financial planning advice and service and is Canada's largest sponsor and distributor of mutual funds. Investors enjoyed a market share, excluding money market funds, representing 15.0 percent of assets under management by members of the Investment Funds Institute of Canada. Other operations include the sale of investment certificates, annuities and trust services. Through its exclusive sales force of 3,395 representatives, Investors Group provides financial products and services to over 650,000 clients.

Investors Group achieved record net income of \$84.6 million in 1994 as compared with \$70.3 million in 1993, representing an increase of 20.3 percent. Sales of financial products and services amounted to \$4.8 billion compared with \$4.5 billion in 1993, reflecting an increase of 7.4 percent. Total assets under administration, including mutual fund assets, increased from \$22.6 billion to \$24.3 billion, attributable to record sales levels during the first three months of the year. Growth slowed during the last nine months primarily as a result of increases in interest rates and volatile equity markets.

Gross revenue amounted to \$543.2 million compared with \$505.8 million in 1993, an increase of seven percent. Financial intermediary revenue decreased by \$33.4 million to \$135.5 million. Fee revenue, which consists of management, distribution and trust fees, increased by 21 percent over 1993 to \$407.7 million.

The contribution of the financial intermediary operation (investment and loan income) to net income before income taxes increased to \$8.1 million from \$6.6 million. The contribution to net income from the corporation's mutual fund and trust operations (fee income) amounts to \$112.1 million in 1994 as against \$88.0 million in 1993, representing 93 percent of total 1994 net income before income taxes. Operating expenses, as a percentage of

assets under administration, declined slightly reflecting management's effective monitoring and control of these items.

During 1994, the quarterly dividend per common share was increased from seven cents per share to eight cents or 32 cents on an annualized basis. The Board of Directors recently increased the quarterly dividend to nine cents per share, payable May 1, 1995, to shareholders of record March 31, 1995. During 1994, both the Canadian Bond Rating Service and the Dominion Bond Rating Service reaffirmed their ratings of the corporation's senior debt – CBRS is "A+Low" and DBRS is "A High".

The Canadian mutual fund industry closed 1994 with assets under administration of \$127.3 billion, up 11 percent from \$114.6 billion at year-end 1993. This increase bodes well for the industry because it is apparent that many investors have committed their savings for the longer term. During the year, the banking industry's success in selling mutual funds was significantly impacted by downturns in fixed income markets. However, Investors Group management believes that Canadian chartered banks will remain a strong competitive force in the mutual fund industry in the years to come. It is also felt that the direct entry of foreign and especially U.S. fund groups into the Canadian market may exert downward pressure on fees charged for fund management and distribution.

In summary, although the tremendous growth in the financial services and mutual fund industries moderated significantly in 1994, many analysts view this development as relatively short term in nature. Analysts continue to forecast considerable growth for the mutual fund industry throughout the remainder of this decade. A number of factors support this view including changes in investment habits, increasing ease of investment, concern over the adequacy of government-sponsored pension plans, the necessity for individuals to provide for their own retirement needs and changing demographics. Investors Group is well positioned to continue to be a leader in the Canadian financial services sector.

Summarized Financial Information

December 31

Power Corporation

Effective share of net earnings of Investors Group Inc.

Assets under administration⁽¹⁾

Sales of financial products and services

Shareholders' equity

Net income

Earnings per share

Dividends paid per share

Book value per share

1994 1993
Millions, except
per share amounts

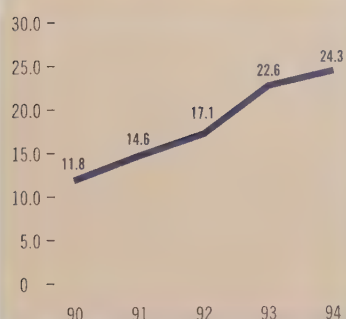
\$	37	\$	31
24,282	22,552		
4,808	4,478		
540	488		
85	70		
0.80	0.67		
0.31	0.25		
5.11	4.62		

(1) Includes corporate assets

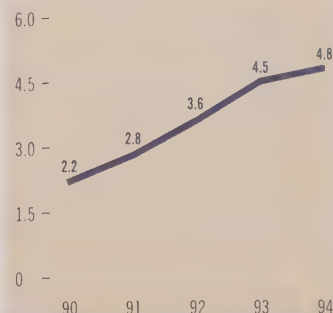
Condensed Supplementary Financial Statements December 31

	Millions	
	1994	1993
Condensed Statement of Earnings		
Gross revenue		
Investment and loan income	\$ 135.5	\$ 168.9
Fee income	407.7	336.9
	<u>\$ 543.2</u>	<u>\$ 505.8</u>
Investment and loan income, net of expenses	\$ 8.1	\$ 6.6
Fee income, net of expenses	112.1	88.0
	<u></u>	<u></u>
Income before income taxes	120.2	94.6
Income taxes	35.6	24.3
	<u></u>	<u></u>
Net income	<u>\$ 84.6</u>	<u>\$ 70.3</u>
Earnings per share	<u>\$ 0.80</u>	<u>\$ 0.67</u>
Condensed Balance Sheet		
Cash and temporary investments	\$ 239.2	\$ 180.9
Marketable securities	632.0	652.4
Mortgages and loans	832.0	958.2
Other assets	162.7	159.6
	<u></u>	<u></u>
Total assets	<u>\$ 1,865.9</u>	<u>\$ 1,951.1</u>
Certificate liabilities	\$ 248.0	\$ 313.9
Guaranteed trust accounts	836.6	925.7
Long-term debt	145.1	147.8
Other liabilities	96.6	75.9
Shareholders' equity	539.6	487.8
	<u></u>	<u></u>
Total liabilities and shareholders' equity	<u>\$ 1,865.9</u>	<u>\$ 1,951.1</u>

Investors Group Inc.
ASSETS UNDER ADMINISTRATION
(in billions of dollars)



Investors Group Inc.
SALES OF FINANCIAL PRODUCTS AND SERVICES
(in billions of dollars)



Power Financial Corporation and the Frère group of Belgium each hold a 50 percent interest in Parjointco N.V., based in the Netherlands. Parjointco is the joint European vehicle of the two groups under an agreement concluded in 1990. Parjointco held at December 31, 1994, a 62.5 percent voting interest (1993 – 63.8 percent) and a 55.5 percent equity interest (1993 – 57.9 percent) in Pargesa Holding S.A. The shares of Pargesa are listed on the Geneva and Zurich stock exchanges.

December 31	1994	1993
	<i>Millions, except per share amounts</i>	
Power Corporation		
Effective share of operating earnings	\$ 27	\$ 26
Effective share of gains on disposal of long-term investments	3	1
	\$ 30	\$ 27
Pargesa Holding S.A.		
Shareholders' equity	\$ 2,745	\$ 2,126
Net income	163	139
Earnings per share	104	92
Dividends per share (declared)	69 ⁽¹⁾	59
Book value per share	1,691	1,412

(1) Proposed dividend to be approved at the next annual general meeting

Using Swiss franc to Canadian dollar conversion rates in effect for each year as follows:

	Average	Closing
1994	1.0024	1.0712
1993	0.8734	0.8901

Pargesa, based in Geneva, holds a 48.8 percent interest in Groupe Bruxelles Lambert S.A. (GBL) based in Brussels. GBL is listed on the Brussels Stock Exchange. Pargesa and GBL jointly hold

a 59.3 percent interest in Parfinance S.A. (Parfinance) based in Paris. Parfinance is listed on the Paris Stock Exchange. Pargesa also holds a 58.5 percent interest in Orior Holding S.A. (Orior), based in Vevey, Switzerland. These four holdings, which form the Pargesa group, have diversified interests in major European companies in the financial services, communications, industrial, energy and food sectors.

Power Corporation's effective share of earnings increased slightly from \$26.0 million in 1993 to \$26.3 million in 1994. Despite challenging economic conditions, the principal affiliates of the Pargesa group continued to show an increase in their 1994 net earnings compared with 1993. Of these affiliates, Petrofina S.A. and Imétal S.A. accounted for the largest portion of the increase in the group's operating earnings in 1994. Power Corporation's effective share of net gains on the sale of non-strategic investments was \$3.3 million in 1994 as against \$1.2 million in 1993.

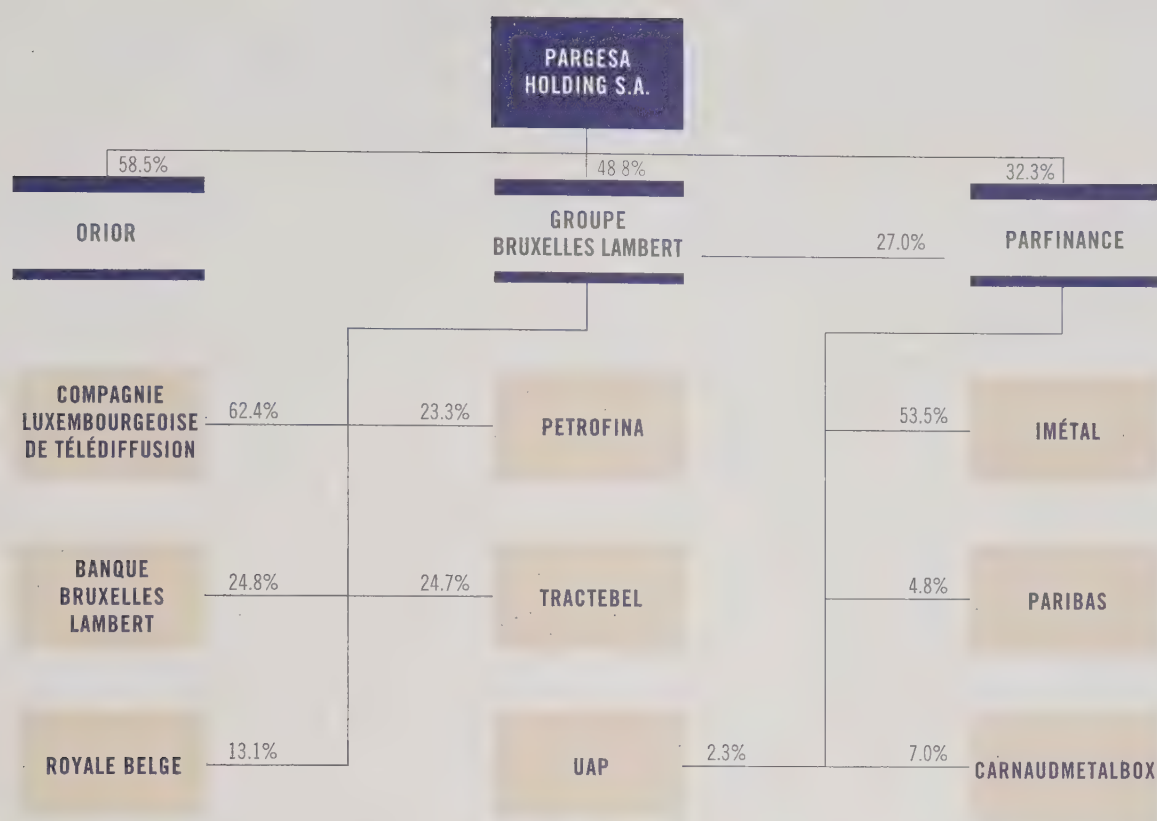
A challenging economic environment continued to prevail in Europe in 1994, with high real interest rates, significant exchange rate fluctuations and a continuing recession in the French real estate market. Despite these adversities, a recovery in market demand had a positive impact on the operating earnings of the Pargesa group, particularly those involved in the industrial and commercial sectors. Companies operating in the United States were also able to take advantage of strong economic growth in that region.

During 1994, Parfinance acquired a 2.2 percent interest in Compagnie UAP, a leading European insurance group, for \$244 million as a result of its privatization by the French government.

Improved conditions in Europe could lead to further growth in operating income in 1995.

Pargesa Group – Selected Financial Statement Information

	Pargesa Holding S.A.	Groupe Bruxelles Lambert S.A.	Parfinance S.A.	Orior Holding S.A.	Combined
Balance Sheet					
December 31, 1994					
	<i>Millions</i>				
Cash and temporary investments	\$ 400	\$ 529	\$ 353	\$ 190	\$ 1,472
Investments in subsidiaries and affiliates (a)	\$ 2,549	\$ 5,077	\$ 1,804	\$ 34	
Long-term debt	\$ 295	\$ 630	\$ 135	\$ 47	
Shareholders' equity (a)	\$ 2,745	\$ 3,272	\$ 2,144	\$ 183	
(a) Non-consolidated basis					



Comparative direct and indirect contributions to Pargesa's net income

	1993		1992	
	Millions*	%	Millions*	%
Income from holdings				
Industrial and Communications				
Imétal S.A.	\$ 12.2	8.0	\$ 11.3	8.2
Orior Holding S.A.	6.2	4.1	5.9	4.3
Compagnie Luxembourgeoise de Télédiffusion	11.8	7.8	10.7	7.8
	30.2	19.9	27.9	20.3
Oil and Gas, Energy				
Petrofina S.A.	11.6	7.6	7.1	5.2
Tractebel S.A.	16.0	10.5	13.7	10.0
	27.6	18.1	20.8	15.2
Financial Services				
Compagnie Financière de Paribas	6.1	4.0	4.0	2.9
Royale Belge S.A.	11.0	7.3	8.4	6.1
Banque Bruxelles Lambert	14.5	9.6	7.6	5.6
	31.6	20.9	20.0	14.6
Other consolidated participations	12.7	8.4	8.6	6.3
Income from investments and other	49.6	32.7	59.8	43.6
Total income from holdings	151.7	100.0	137.1	100.0
Other income, net	(12.5)		19.3	
Net earnings	\$ 139.2		\$ 156.4	

* Figures from the latest available annual accounts using average currency conversion rates for 1993 and 1992.
The 1994 income from holdings will be published in the 1994 annual report of Pargesa which is expected to be available in May 1995.

Readers are referred to the Condensed Supplementary Financial Statements of Southam Inc. on page 21 of the Annual Report.

Power Corporation held a 19.4 percent interest in Southam Inc. at December 31, 1994 (1993 – 18.7 percent). The carrying value of Power Corporation's interest was \$214.3 million on that date compared with \$204.6 million as at that date in 1993. Southam is Canada's largest publisher of daily newspapers, with an average daily circulation of 1.5 million. Southam also operates in the business communications and book retailing sectors.

Southam recorded net income of \$44.0 million for the year ended December 31, 1994, more than double that of 1993. Most of the earnings improvement was generated by Southam's newspaper operations, which benefitted from reductions in operating costs.

Segment Earnings

December 31	1994	1993
	<i>Millions</i>	
Newspapers	\$ 73.6	\$ 46.9
Business communications	14.5	10.4
Book retailing	6.6	6.1
Corporate expenses	(10.8)	(9.0)
Interest	(13.4)	(20.2)
Operating income (pre tax)	\$ 70.5	\$ 34.2

Newspaper group operating income was \$73.6 million in 1994 as against \$46.9 million in 1993, an increase of 57.1 percent. Newspaper group revenue was \$809.5 million compared with \$810.7 million in 1993. The decline in total newspaper group revenue was due to the sale in early 1994 of the company's interest in the Angus Reid Group.

Southam has authorized capital expenditures of approximately \$200 million for upgrades to the production facilities of its newspapers in Vancouver, Windsor and Montréal. It is planned that these expenditures will be funded through internal cash flow and the disposition of non-core assets.

Business communications operating income increased from

\$10.4 million in 1993 to \$14.5 million in 1994, an all-time record. All areas of this segment – magazines, shows, construction and other information products contributed to higher earnings in 1994.

Book retailing operating income increased from \$6.1 million in 1993 to \$6.6 million in 1994. The critical fourth quarter and Christmas selling season were important periods for Coles Book Stores, producing an 8.7 percent sales increase for the full year.

In September 1994, the company announced that it had signed a letter of intent to sell Coles Book Stores to FICG Inc., the owner of SmithBooks. Southam expects to complete the sale in early April 1995. The book retailing segment has not been treated as a discontinued operation for the 1994 fiscal year; it has been fully consolidated with no reflection in the financial statements for any gain or loss on possible disposition.

Corporate expenses amounted to \$10.8 million in 1994, compared with \$9.0 million in 1993. The increase was due to start-up costs associated with the development of a new publication and a reduction of other income. Interest expense decreased to \$13.4 million in 1994 compared with \$20.2 million in 1993 due to lower average debt levels and a reduced average cost of borrowing.

It is anticipated that advertising lineage will remain volatile and unpredictable, at least through early 1995, in light of the impact on consumer and business confidence of higher interest rates and financial difficulty in certain sectors of the retail industry. Newsprint prices have been rising dramatically and at the beginning of 1995 the price per tonne was 35 percent higher than a year earlier. Newsprint producers have announced further substantial price increases for the first half of 1995 and this higher cost will be significant to the corporation. Newsprint consumption can be contained through reductions in press runs and through reductions in the average number of pages per copy. Lower consumption will partially offset the increase in the price of newsprint. Over 30 of a total of 88 collective agreements within Southam's newspaper operations will be negotiated during 1995.

Summarized Financial Information

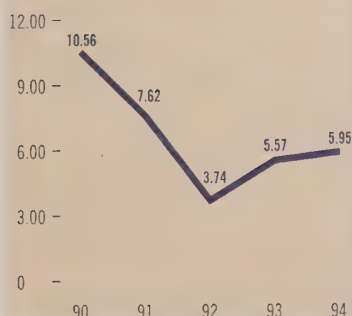
December 31	1994	1993
	<i>Millions, except per share amounts</i>	
Power Corporation		
Share of net earnings of Southam	\$ 8	\$ 6*
Southam Inc.		
Shareholders' equity	\$ 455	\$ 433
Net income	44	22
Earnings per share	0.58	0.29
Dividends per share	0.20	0.20
Book value per share	5.95	5.57

* (April 1 to December 31, 1993)

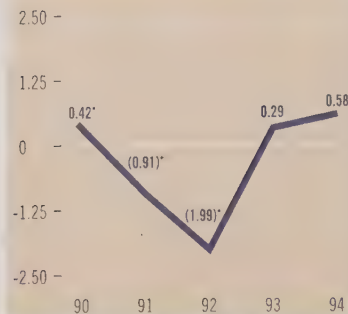
Condensed Supplementary Financial Statements December 31

	Millions	
	1994	1993
Condensed Statement of Earnings		
Revenue from operations	\$ 1,202.4	\$ 1,176.2
Cost of operations	1,131.9	1,142.0
Income before income taxes	70.5	34.2
Income taxes	26.5	12.6
Net earnings	\$ 44.0	\$ 21.6
Earnings per share	\$ 0.58	\$ 0.29
Condensed Balance Sheet		
Cash	\$ 2.4	\$ 51.4
Accounts receivable and sundry assets	231.1	219.5
Inventories	78.5	65.5
Fixed assets, net	328.4	318.1
Goodwill and intangibles	258.5	259.8
Total assets	\$ 898.9	\$ 914.3
Accounts payable and accrued liabilities	\$ 217.8	\$ 177.4
Deferred revenue	57.6	59.3
Liability for workforce reductions	44.2	74.6
Long-term debt (including current portion)	124.5	169.6
Shareholders' equity	454.8	433.4
Total liabilities and shareholders' equity	\$ 898.9	\$ 914.3

Southam Inc.
BOOK VALUE PER COMMON SHARE
(In dollars)



Southam Inc.
EARNINGS (LOSS) PER SHARE
(in dollars)



* Earnings (loss) per share before discontinued operations

Readers are referred to the Condensed Supplementary Combined Financial Statements of Gesca Ltée and Power Broadcasting Inc. on page 23 of the Annual Report.

Gesca Ltée and Power Broadcasting Inc. are wholly-owned subsidiaries of Power Corporation. The carrying value of Power Corporation's interest in these subsidiaries was \$77.6 million as at December 31, 1994 as against \$105.4 million at year-end 1993. The decrease is attributable to a special dividend paid during the year.

Gesca holds a 100 percent interest in the Montréal daily newspaper "La Presse", three other daily and several weekly newspapers based in the province of Québec. Power Broadcasting operates 17 radio stations and three television stations in the provinces of Québec and Ontario.

Gesca and Power Broadcasting together recorded net income of \$6.0 million for the year ended December 31, 1994 compared with \$4.4 million in 1993. Gesca and Power Broadcasting reported increases in both advertising and circulation revenue. Gesca contained its newsprint and labour costs, while Power Broadcasting contained expense levels during the year.

In September 1994, Power Broadcasting and the Canadian Broadcasting Corporation (CBC) commenced distribution in the

United States of two programming services entitled "TRIO" and "Newsworld International".

The venture has purchased, for the TRIO network, 86 percent of its programming needs from Canadian sources for export to the United States market. TRIO is produced in Toronto, Ontario.

Newsworld International is a 24-hour headline news service produced for the venture by the CBC, in separate facilities, employing dedicated personnel in Toronto, Ontario.

TRIO and Newsworld International are the first Canadian owned services to launch in the United States. Since their debut, subscriber growth and development expenses are on target and consumer reaction to both services has been very positive.

Dividends in the amount of \$33.3 million were paid by Gesca and Power Broadcasting in 1994 (1993 – \$4.1 million). The increase in the 1994 dividend is attributable to a special dividend paid during the year.

An improvement in the earnings outlook for these companies in 1995 will depend on an increase in advertising revenue and the continued growth of the subscriber base of the new programming services offered by Power Broadcasting. Gesca's earnings outlook will be affected by the increasing price of newsprint.

Summarized Financial Information

December 31

Power Corporation

Share of net earnings of Gesca and Power Broadcasting

Gesca Ltée and Power Broadcasting Inc.

Total assets

Shareholder's equity

Revenues

Net income

Dividends

1994

Millions

1993

\$	6.0	\$	4.4
	121.3		134.8
	58.1		85.3
	220.2		217.5
	6.0		4.4
	33.3		4.1

Condensed Supplementary Combined Financial Statements December 31

	Millions	
	1994	1993
Condensed Statement of Earnings		
Revenue from operations	\$ 220.2	\$ 217.5
Cost of operations	202.6	203.0
Depreciation and amortization	7.1	6.8
Interest	1.1	0.8
Income taxes	3.4	2.5
	214.2	213.1
Net earnings	\$ 6.0	\$ 4.4
Condensed Balance Sheet		
Current assets	\$ 39.2	\$ 53.7
Fixed assets, net	48.0	46.4
Goodwill and intangibles	30.0	29.8
Other assets	4.1	4.9
Total assets	\$ 121.3	\$ 134.8
Current liabilities	\$ 44.7	\$ 38.8
Long-term debt	13.3	5.1
Deferred income taxes	5.2	5.6
Shareholder's equity	58.1	85.3
Total liabilities and shareholder's equity	\$ 121.3	\$ 134.8

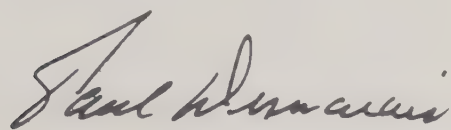
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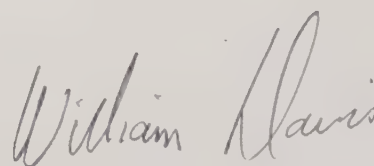
Consolidated Balance Sheet as at December 31

	Thousands	
	1994	1993
Assets		
Cash and temporary investments	\$ 931,221	\$ 901,049
Investments (Note 2)		
Shares	2,000,939	1,906,694
Bonds	16,554,592	15,346,280
Mortgages and other loans	9,014,685	8,739,613
Real estate	646,690	628,931
	28,216,906	26,621,518
Investment in affiliates, at equity (Note 3)	1,071,092	917,298
Other assets (Note 4)	1,307,163	1,153,325
	<u>\$ 31,526,382</u>	<u>\$ 29,593,190</u>
Liabilities		
Actuarial reserves including provisions		
for claims of \$1,459,625 (1993 – \$1,279,849)	\$ 21,886,343	\$ 20,395,424
Deposit liabilities (Note 5)	1,708,448	1,847,563
Long-term debt (Note 6)	577,045	548,292
Other liabilities (Note 7)	2,509,124	2,348,581
	26,680,960	25,139,860
Minority interests (Note 10)	2,349,951	2,157,728
Shareholders' Equity		
Stated capital (Note 11)		
Non-participating shares	85,769	91,069
Participating shares	366,075	362,779
Retained earnings	1,850,106	1,754,874
Foreign currency translation adjustments	193,521	86,880
	2,495,471	2,295,602
	<u>\$ 31,526,382</u>	<u>\$ 29,593,190</u>

Approved by the Board of Directors



Director



Director

Consolidated Statement of Earnings for the year ended December 31

	Thousands	
	1994	1993
Revenues		
Premium income	\$ 4,206,963	\$ 3,410,399
Investment income (Note 8)	2,070,191	2,118,960
Fees and media income	627,086	552,896
	6,904,240	6,082,255
Expenses		
Paid or credited to policyholders and beneficiaries including policyholder dividends and experience refunds	4,787,444	4,155,500
Commissions and operating expenses	1,512,549	1,361,867
Interest expense	126,749	163,967
	6,426,742	5,681,334
	477,498	400,921
Share of earnings of affiliates (Note 3)	48,915	44,557
Other income, net (Note 9)	4,858	1,784
Earnings before income taxes and minority interests	531,271	447,262
Income taxes (Note 13)	143,154	142,288
Minority interests (Note 10)	201,763	154,738
Net earnings	\$ 186,354	\$ 150,236
Earnings per participating share	\$ 1.46	\$ 1.17

Consolidated Statement of Retained Earnings for the year ended December 31

	Thousands	
	1994	1993
Retained earnings, beginning of year	\$ 1,754,874	\$ 1,699,412
Add		
Net earnings	186,354	150,236
Gain on non-participating shares, purchased for cancellation	593	751
	1,941,821	1,850,399
Deduct		
Dividends		
Non-participating shares	4,032	4,070
Participating shares	87,683	87,453
Reduction due to capital transactions of subsidiaries		4,002
	91,715	95,525
Retained earnings, end of year	\$ 1,850,106	\$ 1,754,874

Consolidated Statement of Changes in Financial Position for the year ended December 31

	Thousands	
	1994	1993
Operations		
Net earnings	\$ 186,354	\$ 150,236
Non-cash charges (credits)		
Actuarial reserves and provisions for claims	632,931	266,518
Amortization and depreciation	60,711	51,318
Deferred income taxes	11,584	(61,467)
Minority interests	201,763	154,738
Other	(89,726)	(110,875)
Cash from operations	1,003,617	450,468
Dividends paid		
Minority shareholders of subsidiaries	(97,927)	(78,221)
Non-participating shares	(3,890)	(4,426)
Participating shares	(87,683)	(87,453)
	(189,500)	(170,100)
Financing activities		
Issue of participating shares	3,296	1,344
Issue of common shares by subsidiaries	15,741	5,625
Acquisition of non-participating shares, for cancellation	(4,707)	(4,558)
Commercial paper and other loans	103,996	(4,061)
Increase (repayment) of long-term debt	7,021	(72,904)
Issue of preferred shares by subsidiaries		250,000
Repurchase of preferred shares by subsidiaries		(22,200)
Other		(6,063)
	125,347	147,183
Investment activities		
Purchase of investments – net	(909,292)	(533,435)
Increase (decrease) in cash and temporary investments	30,172	(105,884)
Cash and temporary investments, beginning of year	901,049	1,006,933
Cash and temporary investments, end of year	\$ 931,221	\$ 901,049

Notes to Consolidated Financial Statements

Note 1. Summary of significant accounting policies

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and include the accounts of the Corporation and its subsidiaries.

The principal operating subsidiaries are:

	Percentage of common shares owned by immediate parent at December 31	
	1994	1993
Power Financial Corporation	68.7%	68.8%
Great-West Lifeco Inc.	86.4%	86.4%
The Great-West Life Assurance Company	99.5%	99.4%
Investors Group Inc.	67.4%	67.4%
Gesca Ltée	100.0%	100.0%
Power Broadcasting Inc.	100.0%	100.0%

The Corporation accounts for its investment in affiliates using the equity method.

Investments

Investments, other than those held by The Great-West Life Assurance Company ("Great-West Life") are accounted for as follows:

Investments in shares are carried at cost; where there has been a loss in value that is other than a temporary decline, a write-down is made to recognize the loss. Bonds, mortgages and other loans are valued at amortized cost plus accrued interest less provisions for losses. Real estate investments are valued at cost less provisions for losses.

Investments held by Great-West Life are accounted for as follows:

Investments in shares (equity securities) are carried at cost plus a moving average market value adjustment of \$16,117,000 (1993 – \$20,377,000). The carrying value is adjusted towards market value at a rate of 15% per annum. Net realized gains and losses are included in Deferred gains on portfolio investments sold and are amortized to income at 15% per annum on a declining balance basis. Market values for public shares are generally determined by the closing sale price of the exchange on which the security is principally traded. Market values for shares for which there is no active market are determined by management.

Investments in bonds and mortgages (debt securities) are carried at amortized cost or estimated realizable value if permanently impaired. The difference between the proceeds on the sale of a debt security and its amortized cost is considered to be an adjustment of future portfolio yield, and is deferred and amortized over the period to maturity of the security sold.

Investments in real estate are carried at a written-down value plus a moving average market value adjustment of \$55,739,000 (1993 – \$62,095,000). The carrying value is adjusted towards market value at a rate of 10% per annum. Net realized gains and losses are included in Deferred gains on portfolio investments sold and are amortized to income at 10% per annum on a declining balance basis. Market values for all properties are determined annually by management based on a combination of the most recent appraisal and current market data available. Appraisals of all properties are conducted at least once every three years by qualified appraisers.

Other loans, which include loans to policyholders, are shown at their unpaid balance and are fully secured by the cash surrender values of the policies.

Deferred gains (losses) on portfolio investments sold comprise the following:

	Thousands	
	1994	1993
Shares	\$ 98,324	\$ 102,587
Bonds	183,996	345,302
Mortgage loans	14,328	10,114
Real estate	(86,053)	(91,724)
	<u>\$ 210,595</u>	<u>\$ 366,279</u>

Income taxes

The Corporation follows the tax allocation basis in accounting for income taxes. Deferred income taxes represent taxes deferred mainly in respect of certain investments recorded at a cost which is in excess of their cost for income tax purposes and as a result of claims made in excess of charges in the accounts for capital cost allowances, and other timing differences relating to mortgage reserves and certificate selling costs. Income taxes of Great-West Life are calculated using the deferred tax method on a present value basis.

Actuarial reserves

Policy reserves calculated under the policy premium method represent the amount which, in the judgement of the actuary of Great-West Life, is required, together with future premiums and investment income, to provide for future policy benefits, administrative expenses and taxes on insurance and annuity policies and are calculated using assumptions considered to be appropriate to the policies in force.

Amortization of goodwill

Goodwill, being the difference between the cost of the investment in subsidiary and affiliated corporations and the fair value of the underlying net assets at the dates of acquisition, is being amortized over twenty to forty years using the straight-line method.

Notes to Consolidated Financial Statements

Note 1. Summary of significant accounting policies (continued)

Certificate liabilities

Investment certificates included in deposit liabilities (Note 5) entitle certificate holders to receive at maturity a definite sum of money. The portion of the certificate payments added to certificate liabilities, when combined with the interest compounded at government approved rates, will accumulate to equal the specified maturity value at the maturity date. The aggregate accumulated certificate liabilities always exceed the aggregate cash surrender values of the outstanding investment certificates.

In addition to the maturity and cash surrender values, certificate holders may be entitled to additional amounts. Full provision has been made for all additional credits, both earned and accrued.

Commercial paper and other loans

The commercial paper and other loans have been issued by Great-West Life in both Canadian and United States currencies for terms of less than one year and bear interest at market rates.

Repurchase agreements

Great-West Life enters into repurchase agreements with third-party broker-dealers in which Great-West Life sells securities and agrees to repurchase substantially similar securities at a specified date and price. Such agreements are accounted for as investment financings.

Derivative financial instruments

The accounting policies used for derivative financial instruments correspond to those used for the underlying hedged position.

Foreign currency translation

All assets and liabilities are translated into Canadian dollars at exchange rates prevailing at the balance sheet date for monetary items and at exchange rates prevailing at the transaction dates for non-monetary items. The Corporation and its subsidiaries follow the current rate method of foreign currency translation for their net investments in self-sustaining foreign operations. All income and expenses are translated at average rates prevailing during the year. Exchange gains and losses are included in earnings except those related to self-sustaining investments and financing related thereto which are deferred in the shareholders' equity section of the balance sheet.

Pension plans

The Corporation and its subsidiaries participate in funded defined benefit pension plans for certain employees and agents and unfunded supplementary employee retirement plans for certain executive officers. Direct contributions are being made to the funded pension plans and current service costs are being charged to earnings. The actuarially determined cost of the unfunded supplementary employee retirement plans is being charged to earnings over the estimated service life of the officers covered by the plans.

Comparative figures

Certain of the 1993 amounts presented for comparative purposes have been reclassified to conform with the presentation adopted in the current year.

Notes to Consolidated Financial Statements

Note 2. Investments

	Held by Great-West Life (Note 1)	Held by the Corporation and other subsidiaries	Total	Estimated Market Value
	Thousands			
Carrying value, December 31, 1994				
Shares	\$ 610,908	\$ 1,390,031	\$ 2,000,939	\$ 2,121,137
Bonds	16,537,396	17,196	16,554,592	16,150,415
Mortgages and other loans	8,182,673	832,012	9,014,685	9,102,163
Real estate	623,545	23,145	646,690	652,198
	\$ 25,954,522	\$ 2,262,384	\$ 28,216,906	\$ 28,025,913
Carrying value, December 31, 1993				
Shares	\$ 588,190	\$ 1,318,504	\$ 1,906,694	\$ 2,064,100
Bonds	15,319,260	27,020	15,346,280	16,252,066
Mortgages and other loans	7,781,388	958,225	8,739,613	9,038,306
Real estate	604,009	24,922	628,931	723,028
	\$ 24,292,847	\$ 2,328,671	\$ 26,621,518	\$ 28,077,500

Note 3. Investment in affiliates, at equity

	Thousands			
	1994		1993	
	Southam Inc. (a)	Parjointco N.V. (b)	Total	
Voting and equity interest, December 31	19.4%	50%		
Carrying value, January 1	\$ 204,571	\$ 712,727	\$ 917,298	\$ 715,964
Purchase of investments	7,357		7,357	203,568
Share of earnings	8,374	40,541	48,915	44,557
Share of gains on disposal of long-term investments		4,858	4,858	1,784
Foreign currency translation adjustments	20	131,151	131,171	(11,449)
Amortization of goodwill	(3,164)	(7,927)	(11,091)	(9,310)
Dividends	(2,889)	(24,527)	(27,416)	(27,816)
Carrying value, December 31	\$ 214,269	\$ 856,823	\$ 1,071,092	\$ 917,298
Share of equity, December 31	\$ 88,232	\$ 745,858	\$ 834,090	\$ 673,515

a) Voting and equity interest as at December 31, 1993 was 18.7%.

b) Parjointco N.V. holds a voting interest of 62.5% (1993 – 63.8%)
and an equity interest of 55.5% (1993 – 57.9%) in Pargesa
Holding S.A.

Notes to Consolidated Financial Statements

Note 4. Other assets

Other assets comprise the following:

Thousands	
1994	1993
Dividends and interest receivable	\$ 481,512
Premiums in course of collection	\$ 437,734
Deferred income taxes	174,241
Fixed assets, net of accumulated depreciation	18,644
Goodwill, net of amortization	228,830
Other	69,289
	233,101
	284,997
\$ 1,307,163	\$ 1,153,325

Note 5. Deposit liabilities

Deposit liabilities comprise the following:

Thousands	
1994	1993
Guaranteed trust accounts	\$ 836,624
Certificate liabilities	\$ 925,705
Policyholder funds	313,911
Other	615,177
	599,863
	8,609
	8,084
\$ 1,708,448	\$ 1,847,563

Notes to Consolidated Financial Statements

Note 6. Long-term debt

	Thousands	
	1994	1993
Long-term debt of subsidiaries comprises the following:		
Power Financial Corporation		
Exchangeable debentures, due April 30, 2014 (i)	\$ 334,779	\$ 334,779
Swiss franc bonds due March 3, 1997 bearing interest at 5% payable annually in arrears (SF 120,000,000) (ii)	128,544	106,812
Investors Group Inc.		
10.65% Debentures, 1989 Series, due June 15, 1999 (iii)	99,877	100,000
Other	13,845	6,701
	\$ 577,045	\$ 548,292

i) Exchangeable debentures, due April 30, 2014, bear interest until April 15, 1996 at an annual rate equal to the greater of 8% and the percentage which the dividend paid on common shares of BCE Inc. is of \$38.50 plus 1%; thereafter, the 8% minimum rate will not apply. Holders of debentures have the right to purchase 8,695,561 common shares of BCE Inc. at a price of \$38.50 per share to be paid by the redemption of such debentures. These are included in Shares at a cost of \$37.75 per share (market value, 1994 – \$45.13, 1993 – \$46.25).

ii) The Swiss franc bonds are covered by a negative pledge by Power Financial Corporation.

iii) The interest rate on the 1989 Series Debentures was 10.45% until June 15, 1994 at which time the rate was changed to 10.65%.

Interest expense on long-term debt amounted to \$44,373,000 (1993 – \$49,066,000).

The maximum aggregate amount of annual principal payments on long-term debt in each of the next five years is as follows: \$13,845,000 in 1995; nil in 1996; \$128,544,000 in 1997; nil in 1998; and \$99,877,000 in 1999.

Notes to Consolidated Financial Statements

Note 7. Other liabilities

	Thousands	
	1994	1993
Other liabilities comprise the following:		
Accounts payable and other accrued liabilities	\$ 802,889	\$ 564,544
Commercial paper and other loans (Note 1)	135,514	31,518
Dividends and interest payable	38,402	32,738
Income taxes payable	134,125	156,719
Repurchase agreements	1,187,599	1,196,783
Net deferred gains on portfolio investments sold (Note 1)	210,595	366,279
	<u>\$ 2,509,124</u>	<u>\$ 2,348,581</u>

Note 8. Investment income

Investment income includes the following credits and charges in relation to the portfolio investments held by Great-West Life:

	Thousands	
	1994	1993
i) Amortization of net deferred realized gains on portfolio investments and of unrealized gains and losses on portfolio investments and real estate	<u>\$ 61,932</u>	<u>\$ 74,320</u>
ii) Write-down of assets and provisions for losses	<u>\$ 76,854</u>	<u>\$ 81,230</u>

Notes to Consolidated Financial Statements

Note 9. Other income, net

	Thousands	
	1994	1993
Net gains on disposal of long-term investments (Note 3)	\$ 4,858	\$ 1,784

Note 10. Minority interests

	Thousands	
	1994	1993
Minority interests include:		
Participating policyholders of a subsidiary	\$ 451,688	\$ 430,758
Preferred shareholders of subsidiaries	842,455	830,467
Common shareholders of subsidiaries	1,055,808	896,503
	<u>\$ 2,349,951</u>	<u>\$ 2,157,728</u>
Earnings attributable to minority interests include:		
Earnings of a subsidiary attributable to participating policyholders	\$ 11,662	\$ 1,258
Dividends to preferred shareholders of subsidiaries	55,649	49,932
Earnings of subsidiaries attributable to common shareholders	134,452	103,548
	<u>\$ 201,763</u>	<u>\$ 154,738</u>

Notes to Consolidated Financial Statements

Note 11. Stated capital

	Thousands	
	1994	1993
Non-participating shares		
First preferred shares issuable in series (i)		
Authorized—Unlimited number of shares		
Issued —15,502 (1993 —41,496) shares, \$2.375 cumulative redeemable 1965 Series	\$ 775	\$ 2,075
Cumulative redeemable first preferred shares, 1986 Series (ii)		
Authorized—Unlimited number of shares		
Issued —1,699,878 (1993 —1,779,878) shares	84,994	88,994
	\$ 85,769	\$ 91,069
Participating shares		
3¾¢ participating preferred shares (iii)		
Authorized—Unlimited number of shares		
Issued —12,213,693 shares	\$ 27,104	\$ 27,104
Subordinate voting shares (iv) and (v)		
Authorized—Unlimited number of shares		
Issued —113,112,322 (1993 —112,835,502) shares	338,971	335,675
	\$ 366,075	\$ 362,779

- i) entitled to an annual cumulative dividend of \$2.375 per share; redeemable at \$50.50 plus accrued and unpaid dividends and non-voting except under certain conditions. During the calendar year, 25,994 (1993 —26,186) shares were purchased for cancellation. The Corporation, through a sinking fund, is committed to retire the remaining 15,502 such shares on or before May 1, 1995.
- ii) entitled to a quarterly cumulative dividend of one quarter of 70% of the prime rate of two major Canadian chartered banks. The shares are redeemable at \$50 per share. The Corporation has an obligation to purchase, on the open market, 20,000 shares per quarter, such obligation being cumulative only in the same calendar year. During the calendar year, 80,000 (1993 —80,000) shares were purchased for cancellation.

- iii) entitled to ten votes per share; entitled to a non-cumulative dividend of 3¾¢ per share per annum before dividends on the subordinate voting shares and having the right to participate, share and share alike, with the holders of the subordinate voting shares in any dividends in any year after payment of a dividend of 3¾¢ per share on the subordinate voting shares.
- iv) entitled to one vote per share.
- v) 4,581,680 additional shares are reserved for issuance pursuant to an Executive Stock Option Plan established on March 8, 1985. Options were outstanding at December 31, 1994 to purchase, until November 9, 2004, 3,899,380 (1993 —3,108,500) shares at various prices from \$8.47 to \$20.78 per share. During 1994, 276,820 shares were issued under this Plan for an aggregate consideration of \$3,296,000.

Notes to Consolidated Financial Statements

Note 12. Pension plans

The Corporation and its subsidiaries maintain defined benefit plans which cover certain employees and agents. As at December 31, 1994, the approximate present value of the accrued pension obligations was \$541,511,000 (1993 – \$496,158,000) and the approximate present value of the pension fund assets available to meet these obligations

was \$612,872,000 (1993 – \$585,891,000). The actuarially determined obligations of the unfunded supplementary employee retirement plans as at December 31, 1994 were \$19,458,000 (1993 – \$17,418,000) and the accrued cost to that date was \$14,363,000 (1993 – \$9,981,000).

Note 13. Income taxes

The following schedule reconciles the statutory and effective tax rate:

	1994	1993
Combined basic Canadian federal and provincial tax rate	44.3%	43.5%
Dividend income	(7.8)	(9.8)
Equity in net income of affiliates	(4.5)	(4.5)
Lower effective tax rates on income not subject to tax in Canada	(5.8)	(5.3)
Miscellaneous	0.7	7.9
	26.9%	31.8%

Note 14. Off-balance sheet financial instruments

The Corporation and its subsidiaries, in the normal course of managing exposure to fluctuations in interest rates and foreign exchange rates, is a party to various financial instruments which are not reflected in the financial statements.

The notional amounts and the maximum credit (replacement) risk at December 31 were as follows:

	Thousands			
	1994		1993	
	Notional Amount	Maximum credit risk	Notional Amount	Maximum credit risk
Interest rate and other swaps	\$ 1,015,412	\$ 11,048	\$ 915,030	\$ 55,060
Foreign currency and other swaps	420,099	619	425,299	3,602
Purchased options	140,000			
Interest rate futures			26,004	
Forward rate agreements			20,000	
	\$ 1,575,511	\$ 11,667	\$ 1,386,333	\$ 58,662

All counterparties are Banks on a diversified basis. In the opinion of Management, there are no material counterparty risks associated with these contracts.

Notes to Consolidated Financial Statements

Note 15. Segmented information

The Corporation carries on its activities through two principal classes of business: Financial services and Communications.

Business segment classification is based upon the major activities of significant subsidiaries of the Corporation.

Business Segment

	Great-West Lifeco Inc.	Investors Group Inc.	Gesca Ltée and Power Broadcasting Inc.	Other Activities ⁽²⁾	Consolidated
	Thousands				
1994					
Revenues	\$ 6,068,319	\$ 543,225	\$ 220,218	\$ 126,251	\$ 6,958,013
Earnings before income taxes and minority interests	\$ 370,393	\$ 120,181	\$ 9,481	\$ 31,216	\$ 531,271
Net earnings	\$ 105,332	\$ 37,088	\$ 6,006	\$ 37,928	\$ 186,354
Identifiable assets ⁽¹⁾	\$ 27,172,231	\$ 1,861,384	\$ 113,103	\$ 2,379,664	\$ 31,526,382
1993					
Revenues	\$ 5,276,169	\$ 505,812	\$ 219,005	\$ 127,610	\$ 6,128,596
Earnings before income taxes and minority interests	\$ 309,250	\$ 94,564	\$ 6,985	\$ 36,463	\$ 447,262
Net earnings	\$ 86,990	\$ 31,345	\$ 4,434	\$ 27,467	\$ 150,236
Identifiable assets ⁽¹⁾	\$ 25,313,091	\$ 1,948,504	\$ 129,133	\$ 2,202,462	\$ 29,593,190

(1) Reference is made to note 16, which summarizes segregated fund assets of Great-West Lifeco Inc. and assets under administration of Investors Group Inc., which are excluded from the consolidated balance sheet.

(2) Other activities include investments in affiliates, other long-term investments and cash and temporary investments.

Notes to Consolidated Financial Statements

Note 15. Segmented information (continued)

Geographic Segment

	Revenues	Earnings before income taxes and minority interests	Net earnings	Identifiable assets
	Thousands			
1994				
Great-West Lifeco Inc.				
Canada	\$ 1,912,169	\$ 154,107	\$ 36,599	\$ 8,061,696
United States	4,156,150	216,286	68,733	19,110,535
Total	\$ 6,068,319	\$ 370,393	\$ 105,332	\$ 27,172,231
1993				
Great-West Lifeco Inc.				
Canada	\$ 1,892,669	\$ 128,906	\$ 31,971	\$ 8,036,137
United States	3,383,500	180,344	55,019	17,276,954
Total	\$ 5,276,169	\$ 309,250	\$ 86,990	\$ 25,313,091

The Corporation's other principal subsidiaries, namely Investors Group Inc., Gesca Ltée and Power Broadcasting Inc., operate in Canada.

Notes to Consolidated Financial Statements

Note 16. Assets under administration

a) Segregated fund assets, for which Great-West Life is the manager or investment advisor, are excluded from the consolidated balance sheet. These funds are predominantly employed to fund

pension plan obligations of clients who bear the full investment risk of, and receive all the benefits from, the assets of the funds. Segregated fund assets, at market value, comprise the following:

	Thousands	
	1994	1993
Bonds	\$ 2,279,065	\$ 1,701,724
Mortgage loans	507,231	453,381
Shares	3,802,581	2,477,703
Real estate	225,843	241,727
Other	310,204	244,590
	<u>\$ 7,124,924</u>	<u>\$ 5,119,125</u>
Geographic distribution		
Canada	\$ 3,548,154	\$ 2,901,868
United States	3,576,770	2,217,257
	<u>\$ 7,124,924</u>	<u>\$ 5,119,125</u>

b) Certain assets under administration, for which Investors Group Inc. is the manager or investment advisor, are excluded from the consolidated balance sheet. Assets under administration, at market value, comprise the following:

	Thousands	
	1994	1993
Mutual funds	\$ 17,570,600	\$ 15,800,400
Pension funds	4,845,000	4,800,400
	<u>\$ 22,415,600</u>	<u>\$ 20,600,800</u>

Note 17. Other

(a) The Corporation, its subsidiaries and affiliates have transactions with each other in the normal course of business at competitive prices; such transactions, which relate to the products and services of subsidiaries, are not material and have no effect on net earnings. All other intercompany transactions have been eliminated.

(b) On February 2, 1995, Great-West Lifeco Inc. issued 4,000,000 Series C, 7.75 percent Non-Cumulative First Preferred Shares for \$25.00 per share, for net proceeds of \$97.0 million.

Auditors' Report

To the Shareholders of Power Corporation of Canada

We have audited the consolidated balance sheets of Power Corporation of Canada as at December 31, 1994 and 1993 and the consolidated statements of earnings, retained earnings and changes in financial position for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes

examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1994 and 1993 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Montreal, Quebec
April 4, 1995

Deloitte & Touche
Chartered Accountants

Five-Year Financial Statistics December 31

	Millions				
	1994	1993	1992	1991	1990
Balance sheet					
Cash and temporary investments	\$ 931	\$ 901	\$ 1,007	\$ 1,343	\$ 1,371
Total assets	31,526	29,593	27,746	25,383	23,856
Shareholders' equity	2,495	2,296	2,237	2,150	2,122
Total assets and assets under administration	61,067	55,313	46,084	40,264	35,531
Statement of earnings					
Revenues:					
Premium income	4,207	3,410	3,546	3,351	3,643
Investment income	2,070	2,119	2,157	2,095	2,009
Fees and media income	627	553	478	422	375
Expenses:					
Insurance claims, benefits and changes in actuarial reserves	4,787	4,156	4,382	4,254	4,460
Operating expenses	1,513	1,362	1,259	1,124	1,043
Interest	127	164	193	219	222
Restructuring costs			46		
Share of earnings of affiliates	49	45	33	22	18
Other income – net	5	2	32	22	37
Income taxes	143	142	94	57	39
Minority interests	202	155	120	122	132
Net earnings	186	150	152	136	186
Per participating share			Dollars		
Net earnings	1.46	1.17	1.16	1.02	1.40
Dividends	0.70	0.70	0.70	0.70	0.675
Book value at year-end	19.23	17.63	17.14	16.14	15.89
Market price:					
High	23.63	22.13	16.25	18.13	16.50
Low	17.75	15.00	13.88	13.38	14.00
Year-end	19.38	21.25	15.50	15.00	16.00

BOARD OF DIRECTORS

Charles R. Bronfman, P.C., C.C. (1)(3)

Co-Chairman of the Board and
Chairman of the Executive Committee,
The Seagram Company Ltd.

James W. Burns, O.C. (1)

Deputy Chairman of the Corporation

The Honourable William G. Davis, P.C.,

C.C., Q.C. (2)(3)

Counsel, Tory Tory DesLauriers & Binnington

André Desmarais (1)

President and Chief Operating Officer of the
Corporation

Paul Desmarais, P.C., C.C. (1)

Chairman and Chief Executive Officer of the
Corporation

Paul Desmarais, Jr. (1)

Vice-Chairman of the Corporation
and Chairman, Power Financial Corporation

Michel François-Poncet

Chairman of the Supervisory Board,
Compagnie Financière de Paribas and Banque Paribas

Albert P. Frère

Chairman of the Board,
Frère-Bourgeois S.A.

Robert Gratton

President and Chief Executive Officer,
Power Financial Corporation

F. Ross Johnson, O.C. (3)

Chairman and Chief Executive Officer, RJM Group Inc.

Robert H. Jones

Corporate Director

André Lévy-Lang

Chairman of the Board of Management,
Compagnie Financière de Paribas and Banque Paribas

Robert Parizeau (2)

President and Chief Executive Officer, Sodarcan inc.

Jean Peyrelevade

Chairman of the Board, Crédit Lyonnais

P. Michael Pitfield, P.C., Q.C. (1)(2)

Vice-Chairman of the Corporation

Michel Plessis-Bélair, FCA (1)

Executive Vice-President and Chief Financial Officer
of the Corporation and Senior Vice-President,
Finance, Power Financial Corporation

John A. Rae

Executive Vice-President, Office of the Chairman
of the Corporation

The Right Honourable the Viscount Rothermere

Chairman, Daily Mail and General Trust PLC

Pierre Scohier

President and Chief Executive Officer,
Compagnie Belge de Participations Paribas "COBEP" S.A.

Peter N. Thomson

Vice-Chairman, West Indies Power Corporation Limited

William I. M. Turner, Jr., C.M.

Chairman and Chief Executive Officer, Exsultate Inc.

DIRECTOR EMERITUS

A. Frank Knowles, C.A.

(1) Member of the Executive Committee

(2) Member of the Audit Committee

(3) Member of the Compensation Committee

INTERNATIONAL ADVISORY COUNCIL

Paul Desmarais, P.C., C.C.
Canada

Junichi Amano
Japan

Dwayne O. Andreas
United States of America

Lord Armstrong of Ilminster
Great Britain

Charles R. Bronfman, P.C., C.C.
Canada

Gustavo A. Cisneros
Venezuela

Michel François-Poncet
France

Albert P. Frère
Belgium

Pierre Haas
France

F. Ross Johnson, O.C.
United States of America

Donald R. Keough
United States of America

André Lévy-Lang
France

Sylvia Ostry, C.C.
Canada

Moeen A. Qureshi
United States of America

The Right Honourable the Viscount Rothermere
France

Helmut Schmidt
Germany

Pierre Scohier
Belgium

The Right Honourable Pierre Elliott Trudeau
Canada

The Honorable Paul A. Volcker
United States of America

Wei Mingyi
People's Republic of China

His Excellency Sheikh Ahmed Zaki Yamani
Saudi Arabia

OFFICERS

Paul Desmarais, P.C., C.C.
Chairman and Chief Executive Officer

James W. Burns, O.C.
Deputy Chairman

Paul Desmarais, Jr.
Vice-Chairman

P. Michael Pitfield, P.C., Q.C.
Vice-Chairman

André Desmarais
President and Chief Operating Officer

Michel Plessis-Bélair, FCA
Executive Vice-President and Chief Financial Officer

John A. Rae
Executive Vice-President, Office of the Chairman

Edward Johnson
Vice-President, General Counsel and Secretary

André Gervais, FCGA
Vice-President, Administration and Taxation

Paul Morimanno, C.A.
Vice-President and Treasurer

Denis Le Vasseur, C.A.
Controller

Jeannine Robitaille
Assistant Secretary

Monique Létourneau, CFA
Assistant Treasurer

Michael Murray, C.A.
Assistant Controller



Registered Office
751 Victoria Square
Montréal, Québec, Canada
H2Y 2J3

Transfer Agent and Registrar
Montreal Trust Company

Place Montréal Trust
1800 McGill College Avenue
6th Floor
Montréal, Québec H3A 3K9
(514) 982-7555

151 Front Street West
8th Floor
Toronto, Ontario M5J 2N1
(416) 981-9633

510 Burrard Street
Vancouver, British Columbia V6C 3B9
(604) 661-0222

Stock Listings

Subordinate Voting Shares
The Montreal Exchange
The Toronto Stock Exchange
Vancouver Stock Exchange

Participating Preferred Shares
The Montreal Exchange

1965 Series First Preferred Shares
The Montreal Exchange
The Toronto Stock Exchange

First Preferred Shares 1986 Series
The Montreal Exchange
The Toronto Stock Exchange
Vancouver Stock Exchange

Corporate Information

Additional copies of this annual report as well as copies of the annual reports of Power Financial Corporation, Great-West Lifeco Inc., Investors Group Inc. and Pargesa Holding S.A. are available from:

The Secretary
Power Corporation of Canada
751 Victoria Square
Montréal, Québec
Canada H2Y 2J3

Shareholders with questions relating to the payment of dividends, change of address and share certificates should contact the Transfer Agent.



The cover and pages of this annual report are printed on recycled paper.



Power Corporation has been designated
"A Caring Company" by the Imagine campaign.

Power Corporation of Canada

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To the holders of 3 $\frac{3}{4}$ % Participating Preferred Shares and Subordinate Voting Shares:

NOTICE IS HEREBY GIVEN that the Annual Meeting of Shareholders of POWER CORPORATION OF CANADA will be held at the Inter-Continental Hotel, 360 St. Antoine Street West, Montréal, Québec, Canada, on Friday, May 12, 1995, at 11:00 a.m., local time, for the following purposes:

- 1) to elect directors;
- 2) to appoint auditors;
- 3) to receive the report of the directors for the year ended December 31, 1994, the consolidated financial statements for such period and the auditors' report thereon;
- 4) to consider and, if deemed advisable, to adopt an ordinary resolution approving an amendment to the Executive Stock Option Plan increasing the number of Subordinate Voting Shares issuable pursuant to the Plan; and
- 5) to transact such other business as may properly come before the Meeting.

BY ORDER OF THE BOARD OF DIRECTORS

Montréal, Québec
April 4, 1995

Edward Johnson
Vice-President, General Counsel
and Secretary

IF YOU DO NOT EXPECT TO BE PRESENT AT THE MEETING, PLEASE COMPLETE, DATE AND SIGN THE ACCOMPANYING FORM OF PROXY AND RETURN IT IN THE ENVELOPE ENCLOSED FOR THE PURPOSE.

Si vous préférez recevoir un exemplaire en français,
veuillez vous adresser au secrétaire,
Power Corporation du Canada
751, square Victoria
Montréal (Québec)
Canada H2Y 2J3

MANAGEMENT PROXY CIRCULAR

This Management Proxy Circular is sent in connection with the solicitation by the management of Power Corporation of Canada (the "Corporation") of proxies for use at the Annual Meeting of Shareholders of the Corporation to be held on Friday, May 12, 1995 (the "Meeting"), or any adjournment thereof. The method of solicitation will be primarily by mail. However, proxies may also be solicited by regular employees or agents of the Corporation personally or in writing or by telephone. The cost of solicitation will be borne by the Corporation.

The following abbreviations have been used throughout this Management Proxy Circular:

<u>Name in full</u>	<u>Abbreviation</u>
Power Financial Corporation	PFC
Great-West Lifeco Inc.	Lifeco
The Great-West Life Assurance Company	Great-West
Investors Group Inc.	Investors

Right of Revocation

A shareholder giving a proxy may revoke the proxy by instrument in writing executed by the shareholder or his attorney authorized in writing or, if the shareholder is a corporation, by an officer or attorney thereof duly authorized, and deposited either at the registered office of the Corporation, 751 Victoria Square, Montréal, Québec, Canada H2Y 2J3, at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used, or with the Chairman of the Meeting on the day of the Meeting, or any adjournment thereof, or in any other manner permitted by law, but prior to the exercise of such proxy in respect of any particular matter.

Voting Shares and Principal Holders Thereof

On April 4, 1995, there were outstanding 12,213,693 3¼% Participating Preferred Shares (herein called "Participating Preferred Shares") and 114,162,322 Subordinate Voting Shares (herein called "Subordinate Voting Shares") of the Corporation. The Participating Preferred Shares and the Subordinate Voting Shares are herein sometimes collectively referred to as the "Voting Shares".

Each holder of Participating Preferred Shares is entitled to 10 votes and each holder of Subordinate Voting Shares is entitled to one vote at the Meeting, or any adjournment thereof, for each share registered in the holder's name as at the close of business on March 31, 1995 (the "Record Date"), except that a transferee of Voting Shares acquired since the Record Date shall be entitled to vote such shares at the Meeting, or any adjournment thereof, if the transferee produces properly endorsed share certificates for such shares, or otherwise establishes that such shares are owned by the transferee, and has demanded not later than 10 days before the Meeting that the transferee's name be included in the list of shareholders entitled to receive the notice of the Meeting, such list having been prepared as of the Record Date.

The Articles of the Corporation do not contain any rights or provisions applicable to holders of Subordinate Voting Shares of the Corporation where a take-over bid is made for the Participating Preferred Shares of the Corporation.

To the knowledge of the directors and officers of the Corporation, on April 4, 1995: (i) Mr. Paul Desmarais, its Chairman and Chief Executive Officer, owned beneficially or exercised, through Gelco Enterprises Ltd. ("Gelco") and Polprim Inc. ("Polprim"), control or direction over 12,150,848 Participating Preferred Shares and 24,438,009 Subordinate Voting Shares in the aggregate, representing 99.5% and 21.4% respectively, of the outstanding shares of such classes and 61.8% of the votes attached to the outstanding Voting Shares of the Corporation; (ii) Gelco was the owner of 12,058,925 Participating Preferred Shares, Polprim was the owner of 23,343,040 Subordinate Voting Shares and 91,923 Participating Preferred Shares and Compagnie Belge de Participations Paribas S.A. ("Cobepa") was the beneficial owner of 20,139,400 Subordinate Voting Shares, representing respectively 98.7%, 20.4%, 0.7% and 17.6% of the outstanding shares of such classes; (iii) Gelco and Polprim were both controlled by Mr. Desmarais; (iv) Cobepa was controlled by Compagnie Financière de Paribas; and (v) no other person directly or indirectly owned beneficially or of record or exercised control or direction over more than 10% of the shares of any class of voting shares of the Corporation.

Election of Directors

The Board of Directors of the Corporation consists of not less than nine and not more than 28 members as determined from time to time by the directors. The 20 persons named hereunder will be proposed for election as directors of the Corporation. Except where authority to vote in respect of the election of directors is withheld, the nominees named in the accompanying form of proxy will vote the shares represented thereby for the election of the 20 persons named hereunder. The management of the Corporation does not contemplate that any of the persons named hereunder will, for any reason, become unable or unwilling to serve as a director. However, if such event should occur prior to the election, the nominees named in the accompanying form of proxy reserve the right to vote for the election, in his stead, of such other person as they, in their discretion, may determine.

The *Canada Business Corporations Act* requires that the Corporation have an audit committee; the Corporation also appoints an executive committee and a compensation committee. It is the practice of the Board of Directors to appoint members to these committees at a meeting of the Board of Directors immediately following the Annual Meeting of Shareholders.

The term of office of each director currently in office expires at the close of the Meeting. Each director elected at the Meeting shall hold office until the close of the next Annual Meeting of Shareholders, unless he resigns or his office becomes vacant for any reason.

Name, principal occupation and other major positions with the Corporation and its affiliates	Served as Director from	Approximate number of shares of each class of shares of the Corporation and its affiliates beneficially owned, held or over which control or direction is exercised as of March 31, 1995
Charles R. Bronfman, P.C., C.C. (a)(c) Co-Chairman of the Board and Chairman of the Executive Committee of The Seagram Company Ltd., a producer and marketer of distilled spirits, wines and juices	May 1983	50,000 Subordinate Voting Shares of the Corporation
James W. Burns, O.C. (a) Deputy Chairman of the Corporation; Chairman of Lifeco; Chairman of Great-West	May 1978	203,320 Subordinate Voting Shares of the Corporation 2,000 Common Shares of PFC 28,000 Common Shares of Lifeco 50 Common Shares of Great-West 50,000 Common Shares of Investors
The Honourable William G. Davis, P.C., C.C., Q.C. (b)(c) Counsel to Tory Tory DesLauriers & Binnington, Barristers and Solicitors	May 1985	40,000 Subordinate Voting Shares of the Corporation
André Desmarais (a) President and Chief Operating Officer of the Corporation	May 1988	120,800 Subordinate Voting Shares of the Corporation 5,400 Common Shares of PFC 10,000 Common Shares of Lifeco 50 Common Shares of Great-West
Paul Desmarais, P.C., C.C. (a) Chairman and Chief Executive Officer of the Corporation	May 1968	See "Voting Shares and Principal Holders Thereof" on page 2 8,000 Common Shares of Lifeco 50 Common Shares of Great-West 58,479,912 Common Shares of PFC through the Corporation 68,113,239 Common Shares of Lifeco through PFC 71,200,040 Common Shares of Investors through PFC
Paul Desmarais, Jr. (a) Vice-Chairman of the Corporation; Chairman of PFC	May 1988	120,000 Subordinate Voting Shares of the Corporation 15,000 Common Shares of Lifeco 50 Common Shares of Great-West 30,000 Common Shares of Investors

(a) Member of the Executive Committee

(b) Member of the Audit Committee

(c) Member of the Compensation Committee

Name, principal occupation and other major positions with the Corporation and its affiliates	Served as Director from	Approximate number of shares of each class of shares of the Corporation and its affiliates beneficially owned, held or over which control or direction is exercised as of March 31, 1995
Michel François-Poncet Chairman of the Supervisory Board of Compagnie Financière de Paribas and of Banque Paribas, commercial banks	November 1986	—
Albert P. Frère Chairman of the Board of Frère-Bourgeois S.A., a financial group	May 1985	—
Robert Gratton President and Chief Executive Officer of PFC	July 1989	2,500 Subordinate Voting Shares of the Corporation 77,500 Common Shares of PFC 82,500 Common Shares of Lifeco 10,000 Common Shares of Investors
F. Ross Johnson, O.C. (c) Chairman and Chief Executive Officer of RJM Group Inc., a private international advisory group	May 1982	42,128 Subordinate Voting Shares of the Corporation
André Lévy-Lang Chairman of the Board of Management of Compagnie Financière de Paribas and of Banque Paribas, commercial banks	May 1991	—
Robert Parizeau (b) President and Chief Executive Officer of Sodarcan inc., an insurance and reinsurance holding company	May 1985	14,100 Subordinate Voting Shares of the Corporation
Jean Peyrelevade Chairman of the Board of Crédit Lyonnais	May 1994	1,800 Subordinate Voting Shares of the Corporation
P. Michael Pitfield, P.C., Q.C. (a)(b) Member of the Senate of Canada and Vice-Chairman of the Corporation	May 1985	130,000 Subordinate Voting Shares of the Corporation 12,000 Common Shares of PFC 20,000 Common Shares of Lifeco 16,900 Common Shares of Investors

(a) Member of the Executive Committee

(b) Member of the Audit Committee

(c) Member of the Compensation Committee

Name, principal occupation and other major positions with the Corporation and its affiliates	Served as Director from	Approximate number of shares of each class of shares of the Corporation and its affiliates beneficially owned, held or over which control or direction is exercised as of March 31, 1995
Michel Plessis-Bélair, FCA (a) Executive Vice-President and Chief Financial Officer of the Corporation and Senior Vice-President, Finance of PFC	May 1988	500 Subordinate Voting Shares of the Corporation 500 Common Shares of PFC 5,000 Common Shares of Lifeco 2,000 Common Shares of Investors
John A. Rae Executive Vice-President, Office of the Chairman of the Corporation	May 1988	—
The Right Honourable the Viscount Rothermere Chairman of Daily Mail and General Trust PLC, a newspaper and magazine publishing company	May 1986	—
Pierre Scohier President and Chief Executive Officer of Cobepa, a holding company	May 1985	—
Peter N. Thomson Vice-Chairman of West Indies Power Corporation Limited, a public utility corporation	August 1956	402 Subordinate Voting Shares of the Corporation
William I.M. Turner, Jr., C.M. Chairman and Chief Executive Officer of Exsultate Inc., a holding corporation	May 1966	236,000 Subordinate Voting Shares of the Corporation

(a) *Member of the Executive Committee*

(b) *Member of the Audit Committee*

(c) *Member of the Compensation Committee*

During the past five years, each of the above directors and nominees held his present principal occupation or other management positions with the same or other associated firms or organizations or was elected a director of the Corporation by a vote of shareholders at a meeting, the notice of which was accompanied by a Management Proxy Circular.

Compensation of Directors

The Corporation compensates each director for services during his term of office as follows: each director receives a basic annual retainer of \$10,000 and an additional annual fee of \$2,000 is paid to the Chairman of the Audit Committee and the Chairman of the Compensation Committee. In addition, the Corporation pays each director a fee of \$1,000 for each board meeting or committee meeting that the director attends.

In addition, Mr. Peter N. Thomson received fees in the amount of \$170,000 during the financial year ended December 31, 1994 for his services to the Corporation pursuant to a consulting services agreement whereby he provides business advice to the Corporation in addition to his general duties as a director.

Executive Compensation

Summary Compensation Table

The Summary Compensation Table shows certain compensation information for the Chief Executive Officer and the four other most highly compensated executive officers (collectively, the “Named Executive Officers”) for services rendered in all capacities during the financial years ended December 31, 1994, 1993 and 1992. This information includes the dollar value of base salaries and bonus awards, the number of Subordinate Voting Shares of the Corporation covered by options, and certain other compensation.

Name and Principal Position	Year	Annual Compensation			Long-Term Compensation Awards	All Other Compensation
		Salary	Bonus	Other Annual Compensation	Securities Under Options Granted	
		(\$)	(\$)	(\$) ⁽²⁾	(#) ⁽⁴⁾	(\$) ^{(2) (5)}
Paul Desmarais Chairman and Chief Executive Officer	1994	⁽¹⁾ 1,250,000	200,000	⁽³⁾ 130,200	167,000	84,750
	1993	1,250,000	100,000	125,700	—	79,500
	1992	1,250,000	—	—	200,000	—
James W. Burns Deputy Chairman	1994	⁽¹⁾ 700,000	—	—	69,000	94,250
	1993	700,000	—	—	—	93,000
	1992	700,000	—	—	—	—
André Desmarais President and Chief Operating Officer	1994	600,000	100,000	—	119,000	92,750
	1993	420,000	50,000	—	—	94,500
	1992	350,000	—	—	105,000	—
P. Michael Pitfield Vice-Chairman	1994	⁽¹⁾ 350,000	50,000	—	69,000	107,750
	1993	320,000	30,000	—	—	105,000
	1992	320,000	—	—	20,000	—
Michel Plessis-Bélair Executive Vice-President and Chief Financial Officer	1994	⁽¹⁾ 400,000	25,000	—	79,000	87,750
	1993	350,000	50,000	—	—	83,500
	1992	315,000	—	—	25,000	—

⁽¹⁾ Denotes salary paid to each such Named Executive Officer by the Corporation for his services both as an executive officer of the Corporation and with respect to his functions for Power Financial Corporation, a subsidiary of the Corporation. A portion of this remuneration is reimbursed to the Corporation by Power Financial Corporation.

⁽²⁾ In accordance with transitional provisions of the securities regulations, information for the financial year ended December 31, 1992 has not been included. Where no amount is shown for the financial years ended December 31, 1993 and 1994, “Other Annual Compensation” was less than the lesser of \$50,000 and 10% of the total of the annual salary and bonus of the Named Executive Officer.

⁽³⁾ Includes \$107,800 (1993 – \$108,700), representing the incremental cost to the Corporation of personal use of corporate aircraft.

⁽⁴⁾ Denotes number of Subordinate Voting Shares of the Corporation covered by options granted during each financial year.

⁽⁵⁾ Amounts shown under “All Other Compensation” include retainers and attendance fees received by the Named Executive Officers in their capacities as directors of the Corporation and certain subsidiaries.

Option Grants in Last Financial Year

The table below shows information regarding grants of stock options made to the Named Executive Officers under the Power Executive Stock Option Plan during the financial year ended December 31, 1994. See “Power Executive Stock Option Plan” for a description of the Plan.

Name	Securities under Options Granted (#)	Percentage of Total Options Granted to Employees in Financial Year	Exercise or Base Price (\$/Security)	Market Value of Securities Underlying Options on the Date of Grant (\$/Security)	Expiration Date
Paul Desmarais	80,000 87,000	7.5% 8.1%	19.90625 18.3125	19.90625 18.3125	August 15, 2004 November 9, 2004
James W. Burns	33,000 36,000	3.1% 3.4%	19.90625 18.3125	19.90625 18.3125	August 15, 2004 November 9, 2004
André Desmarais	57,000 62,000	5.3% 5.8%	19.90625 18.3125	19.90625 18.3125	August 15, 2004 November 9, 2004
P. Michael Pitfield	33,000 36,000	3.1% 3.4%	19.90625 18.3125	19.90625 18.3125	August 15, 2004 November 9, 2004
Michel Plessis- Bélair	38,000 41,000	3.6% 3.8%	19.90625 18.3125	19.90625 18.3125	August 15, 2004 November 9, 2004

Aggregated Option Exercises in Last Financial Year and Financial Year-End Option Values

The following table summarizes for each of the Named Executive Officers the number of Subordinate Voting Shares of the Corporation covered by options under the Power Executive Stock Option Plan exercised during the financial year ended December 31, 1994, if any, the aggregate value realized upon exercise, if any, and the total number of Subordinate Voting Shares of the Corporation covered by unexercised options held at December 31, 1994. Value of unexercised in-the-money options at financial year-end is the difference between the exercise or base price and the fair market value of the underlying Subordinate Voting Shares of the Corporation on December 31, 1994, which was \$19.375 per share. These values, unlike the amounts set forth in the column “Aggregate Value Realized”, have not been, and may never be, realized. The underlying options have not been, and might not be exercised; actual gains, if any, on exercise will depend on the value of the Corporation’s Subordinate Voting Shares on the date of exercise. There can be no assurance that these values will be realized.

For a description of the principal terms of the options, reference should be made to the heading “Power Executive Stock Option Plan” in this Management Proxy Circular.

Name	Securities Acquired on Exercise (#)	Aggregate Value Realized (\$)	Unexercised Options at FY-End (#) Exercisable/ Unexercisable	Value of Unexercised In-The-Money Options at FY-End (\$) Exercisable/ Unexercisable
Paul Desmarais	—	—	650,000 / 267,000	5,846,875 / 531,188
James W. Burns	—	—	180,000 / 69,000	1,414,688 / 20,719
André Desmarais	—	—	222,500 / 171,500	1,895,781 / 288,250
P. Michael Pitfield	105,000	1,213,281	185,000 / 79,000	1,745,781 / 68,844
Michel Plessis-Bélair	17,600	123,750	244,900 / 91,500	1,449,031 / 83,531

Power Executive Stock Option Plan

The Power Executive Stock Option Plan (the “Plan”) was established by the Board of Directors of the Corporation on March 8, 1985 and approved by the shareholders on May 10, 1985. When the Plan was established in 1985, 3,200,000 Subordinate Voting Shares were reserved for issue upon the exercise of options under the Plan. To replenish the Plan, the Plan was amended by the shareholders in May 1989, increasing the number of shares so issuable by 2,500,000.

The Plan is administered by the Compensation Committee. No member of the Committee, while he is a member thereof, may participate in the Plan. The Board of Directors of the Corporation may amend, suspend, cancel or terminate the Plan or an option granted thereunder in whole or in part at any time provided that (a) the Board of Directors may not materially increase the benefits accruing to participants under the Plan, increase the number of shares issuable pursuant to the Plan or materially modify the requirements as to eligibility for participation in the Plan without the approval of the shareholders of the Corporation and (b) any approvals required under any applicable law or under the applicable rules of any stock exchange on which shares of the Corporation are listed are obtained.

The Committee designates certain officers of the Corporation to whom options are to be granted, as well as the number of shares covered by each option and determines, subject to the Plan, the terms of each option. Officers may hold more than one option, and options may be exercised in whole at any time or in part from time to time during the option period. The number of shares which may be issued to any one person pursuant to options shall not exceed 5% of the number of shares outstanding. The Committee establishes the exercise price for each share covered by an option. The Plan requires, however, that the exercise price under any option must not be less than the market value of a share on the date of granting of the option. The Plan defines “market value” to mean the average of the high and low prices of shares on The Montreal Exchange and The Toronto Stock Exchange on the trading day immediately preceding the date of grant, or if two or more sales of shares shall not have been reported for that day, the average of the bid and ask prices for the shares on such day. The options are not assignable.

The Committee determines the period during which each option is exercisable; such period may not commence earlier than the date of granting of the option and may not terminate later than 10 years after such date. Notwithstanding the terms of the options, all options become exercisable in certain events, such as death, disability or change of control of the Corporation. In certain events, such as death or termination of employment by reason of fraud or willful fault or neglect, the option period may terminate earlier than that first established by the Committee.

All shares subject to options that have terminated, been forfeited, expired without exercise or been surrendered become available for subsequent grants of options under the Plan.

Pension Benefits

The Corporation has a Supplementary Employee Retirement Plan (the “SERP”) pursuant to which pension benefits may become payable to certain of the executive officers of the Corporation or any subsidiary of the Corporation (collectively, the “PCC Group”), as may be designated for participation by the Compensation Committee of the Board of Directors. The Named Executive Officers shown in the “Summary Compensation Table” have been designated for participation in the SERP.

Under the SERP, a participant becomes entitled to a maximum annual pension at normal retirement age equal to 60% of the average of the highest three years of the participant’s compensation out of the final 10 years of credited service, less the annual amount of the participant’s pension under the Corporation’s basic pension plan available to all employees and less the amount of the benefits payable under the Canada Pension Plan on the date of retirement. The average participant’s compensation covered under the SERP is calculated based on salary and bonuses during the final 10 years of credited service. Entitlement to the maximum supplementary pension under the SERP requires 15 years of credited service with the PCC Group. The amount of the supplementary pension is reduced by 6% for each year of credited service with the PCC Group less than 15. No benefit is payable to a participant with less than five years of credited service at retirement. Normal retirement age under the SERP is 62 years. In the event of retirement prior to normal retirement age, the supplementary pension earned to the date of early retirement becomes payable, provided the participant has completed 10 years of credited service with the PCC Group, but is subject to a reduction in the supplementary pension benefit of 6% for each year by which the retirement precedes age 60. Early retirement may not be elected prior to age 55. SERP payments are paid when due out of the general funds of the Corporation. The following table sets forth the annual pension benefits payable under the SERP and the Corporation’s basic pension plan.

Remuneration	Years of Credited Service at Age 62		
	5	10	15 or more
\$ 400,000	\$ 72,000	\$152,000	\$ 232,000
\$ 500,000	\$ 92,000	\$192,000	\$ 292,000
\$ 750,000	\$142,000	\$292,000	\$ 442,000
\$1,000,000	\$192,000	\$392,000	\$ 592,000
\$1,250,000	\$242,000	\$492,000	\$ 742,000
\$1,500,000	\$292,000	\$592,000	\$ 892,000
\$1,750,000	\$342,000	\$692,000	\$1,042,000
\$2,000,000	\$392,000	\$792,000	\$1,192,000

Respective years of service covered under the SERP as of December 31, 1994 for the eligible Named Executive Officers are as follows: Mr. Paul Desmarais, more than 15 years; Mr. James W. Burns, more than 15 years; Mr. André Desmarais, 2.58 years; Mr. P. Michael Pitfield, 10 years; and Mr. Michel Plessis-Bélair, 8.83 years.

The average participant's compensation covered under the SERP calculated as set forth above as of December 31, 1994, for each of the eligible Named Executive Officers, is as follows: Mr. Paul Desmarais, \$1,773,333; Mr. James W. Burns, \$933,333; Mr. André Desmarais, \$550,000; Mr. P. Michael Pitfield, \$516,667; and Mr. Michel Plessis-Bélair, \$451,667.

Report of Compensation Committee on Executive Compensation

The Board of Directors of the Corporation has a Compensation Committee (the "Committee") composed of three directors who are not employees of the Corporation or of any of its affiliates. Mr. Paul Desmarais is a member of the Board of Directors of The Seagram Company Ltd. where Mr. Charles R. Bronfman, a member of this Committee, is Co-Chairman of the Board. The Committee reviews and establishes the compensation of the executive officers of the Corporation, including the Named Executive Officers. The Committee's mandate is determined by the Board of Directors.

The Corporation's compensation program consists principally of salary and, in special circumstances, bonuses. Incentive stock options are also awarded from time to time.

Pursuant to the policy established by the Committee, the compensation program is designed so that the annual compensation for executive officers remains competitive with the compensation for comparable employment, responsibilities and performance of major international management and holding companies both in Canada and abroad. The long-term performance of the Corporation is also an element in the matrix of factors which are considered by the Committee in making its determination of annual compensation.

The Committee believes that the long-term incentives in the form of options play an important role in aligning the interests of executive officers and the Corporation's shareholders. When determining whether and how many new options are to be granted, the Committee considers a number of factors including salary, level of responsibility and the amount and terms of outstanding options.

The Committee, consisting of investors and business leaders, is familiar with compensation packages in industry and familiarizes itself with remuneration practices in general.

The compensation of the Chairman and Chief Executive Officer includes the same elements as are included in the compensation of other executive officers as described above and is established by the Committee based on its opinion as to a fair and reasonable compensation package; taking into account his contribution to the Corporation's long-term growth and the Committee members' knowledge of remuneration practices both in Canada and abroad.

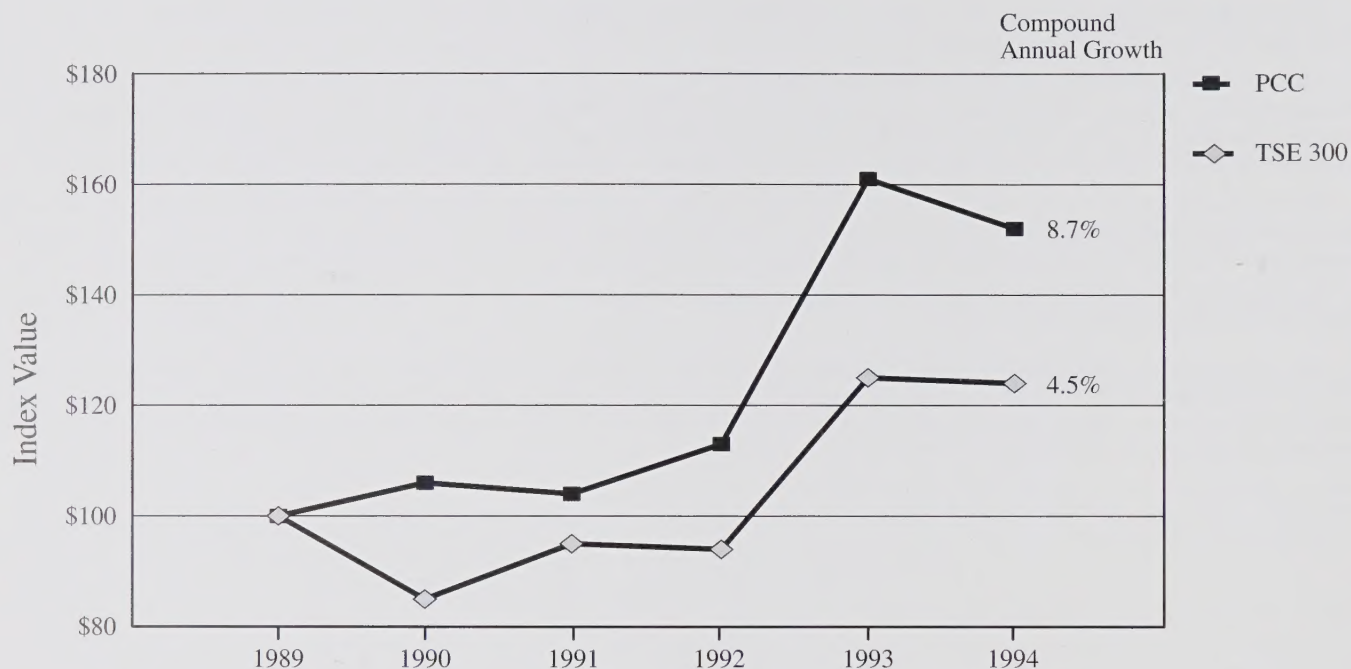
F. Ross Johnson (Chairman)
Charles R. Bronfman
William G. Davis

Performance Graph

The following Performance Graph shows the yearly change in the cumulative total shareholder return on the Corporation's Subordinate Voting Shares compared with the TSE 300 Composite Index, over the five-year period ended December 31, 1994.

The year-end values of each investment are based on share appreciation plus dividends paid in cash, with the dividends reinvested on the date they were paid. The calculations exclude trading commissions and taxes. Total shareholder returns from each investment, whether measured in dollars or percentage terms, can be calculated from the year-end investment values shown below the graph.

Five-Year Cumulative Total Returns
Value of \$100 invested on December 31, 1989



PCC	100	106	104	113	161	152
TSE 300	100	85	95	94	125	124

Note:

PCC: Assumes that all dividends were reinvested.

TSE 300: Total return index (all dividends reinvested)

Appointment of Auditors

Deloitte & Touche or its predecessor firms have been the auditors of the Corporation since its incorporation in 1925. It is proposed to re-appoint at the Meeting, or any adjournment thereof, Deloitte & Touche as auditors of the Corporation to hold office until the close of the next Annual Meeting of Shareholders. Except where authority to vote in respect of the appointment of auditors is withheld, the nominees named in the accompanying form of proxy will vote the shares represented thereby for the appointment of Deloitte & Touche as auditors of the Corporation.

Amendment to Executive Stock Option Plan

When the Power Executive Stock Option Plan was established in 1985, 3,200,000 Subordinate Voting Shares were reserved for issue upon the exercise of options under the Plan. The Plan was amended by the shareholders in May 1989 to increase the number of shares which may be issued under the Plan to 5,700,000. The Board of Directors adopted a resolution as of April 4, 1995 authorizing an amendment to the Plan increasing the number of shares issuable pursuant to the Plan by 2,200,000 Subordinate Voting Shares, subject to regulatory approvals and, under the terms of the Plan, approval of the holders of the Subordinate Voting Shares and the holders of Participating Preferred Shares. Options on 2,849,380 Subordinate Voting Shares are outstanding as of the date hereof, and the number of shares available for further grants of options is 682,300. Particulars of the Plan are provided elsewhere in this Management Proxy Circular under the heading "Power Executive Stock Option Plan".

The holders of the Subordinate Voting Shares and the holders of Participating Preferred Shares will be asked at the Meeting, or any adjournment thereof, to consider and, if deemed advisable, adopt the following resolution:

RESOLVED:

THAT the amendment to the Executive Stock Option Plan adopted by the Board of Directors of the Corporation as of April 4, 1995, increasing the number of shares issuable pursuant to the Plan by 2,200,000 Subordinate Voting Shares, be and it is hereby approved.

In order to be approved, the resolution must be passed by a majority of the votes cast by the holders of the Subordinate Voting Shares and Participating Preferred Shares present in person or represented by proxy at the Meeting.

The management nominees intend to cast the votes represented by proxy in favour of such resolution unless the shareholder who has given such proxy has directed that the votes be otherwise cast.

Discretionary Authority

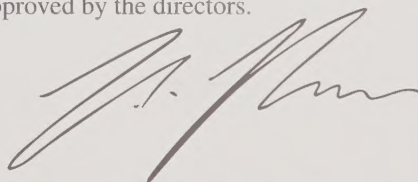
The accompanying form of proxy confers discretionary authority with respect to amendments to the matters identified in the notice of the Meeting and on such other new business as may properly come before the Meeting or any adjournment thereof. The management is not aware and does not foresee that any such amendments or other new business are to be submitted to the Meeting. **If such amendments or other new business properly come before the Meeting, or any adjournment thereof, the nominees named in such form of proxy will vote the shares represented thereby in their discretion.**

Available Documentation

The Corporation is a reporting issuer under the securities legislation of certain provinces of Canada and is required to file financial statements, information circulars and an annual information form with the various securities regulatory authorities in such provinces. **The Corporation shall provide to any person or company, upon request to the Secretary of the Corporation, one copy of (i) the Corporation's latest annual information form, together with any document, or the pertinent pages of any document, incorporated therein by reference, (ii) the comparative financial statements of the Corporation for its most recently completed financial year in respect of which such financial statements have been issued, together with the report of the auditors thereon, management's discussion and analysis of financial condition and results of operations and any interim financial statements of the Corporation issued subsequent to the annual financial statements and (iii) the information circular of the Corporation in respect of the most recent annual meeting of its shareholders. The Corporation may require the payment of a reasonable charge when the request is made by someone who is not a security holder thereof, unless securities of the Corporation are in the course of a distribution pursuant to a short form prospectus, in which case such documents will be provided free of charge.**

Approval by Directors

The contents and the sending of this Management Proxy Circular have been approved by the directors.



Edward Johnson
Vice-President, General Counsel
and Secretary

Montréal, Québec
April 4, 1995

